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SEC Registration Number

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(Company's Full Name)

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

<b>Jorge A. Lichauco</b>
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(Contact Person)

<b>910-3040</b>
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(Company Telephone Number)

1	2
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Month      Day  
(Fiscal Year)

3	1
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Day

1	7	-	Q
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(Form Type)

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Month

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Day

(Annual Meeting)

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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

<b>₱2,012,397,073</b>
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Domestic

<b>US\$150,000,000</b>
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Foreign

Total Amount of Borrowings

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To be accomplished by SEC Personnel concerned

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# THE SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17- Q

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

1. **June 30, 2005**  
Date of Report (Date of earliest event reported)
2. SEC Registration No. **AS093-04369**      3. BIR TIN. **002-825-058**
4. **Benpres Holdings Corporation**  
Exact name of registrant as specified in its Articles of Incorporation
5. **Metro Manila**      6. \_\_\_\_\_  
Place of incorporation      Industry Classification Code
7. **4th Floor Benpres Building, Exchange Road cor. Meralco Ave. Pasig City**  
Address of principal office
8. **(02) 910-3040**  
Registrant's telephone number, including area code
9. **Not Applicable**  
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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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 conformity with accounting principles generally accepted in the Philippines.

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

Benpres Holdings Corporation (Benpres) posted unaudited historical revenues of P5.193 billion in the first six months of 2005, 37% higher than P3.792 billion in the same period last year. Net sales and services during the period improved by 48% year-on-year (YoY) to P3.784 billion from P2.551 billion, primarily reflecting an improvement in Maynilad Water Services, Inc. (Maynilad) revenues. Equity in net earnings of investees increased by 36% on account of associate First Philippine Holdings Corporation's equity in First Gen Corporation. Benpres booked a gain on sale of investment in the amount of P8 million from the sale of 10.507 million shares of Digital Telecommunications Phils., Inc. in April 2005.

Costs and expenses increased by 15% YoY to P5.014 billion from P4.348 billion. Costs of sales and services shed 12% YoY to P1.893 billion from P2.157 billion, general and administrative expenses hiked 11% to P920 million from P829 million, and depreciation and amortization fell by 20% to P27 million from P34 million. These essentially reflect Maynilad accounts. The water utility continues to operate normally following the approval of its Court-assisted rehabilitation in June 2005.

Provision for losses increased to P159 million from P38 million due to advance payment made by Benpres related to the BayanTel convertible preferred shares, which is a guaranteed liability under the Balance Sheet Management Plan (BSMP). Accretion of losses on Notes in the amount of P62 million represents the effect of the first semester loss posted by SKYCable on the parent company. Consolidated interest expense – net surged 51% YoY to P1.953 billion from P1.290 billion attributable to Maynilad.

As a result, net income for the first semester was at P297 million compared to the net loss of P191 million in the same period of 2005.

For the period, core investment ABS-CBN Broadcasting Corp. registered a 2% growth in consolidated net revenues of P6.743 billion from P6.610 billion from the year ago. However, net profits dropped by 67% to P185 million from P560 million last year. EBITDA declined by 16% YoY to P1.865 billion from P2.209 billion as cash expenses overtook revenue growth during the quarter.

First Philippine Holdings Corporation booked profits of P1.968 billion for the six months ended June 30, 2005, 6% lower than in the previous year's P2.090 billion. Revenues grew by 23% to P25.181 billion while costs and expenses increased by 25% to P19.598 billion.

BayanTel reported continued growth from its business in the first semester of 2005 after reporting a significant growth in overall performance in 2004. Net revenues were 9% higher at P2.908 billion compared to P2.663 billion last year. EBITDA is P1.290 billion, representing a 19% growth from the P1.084 billion posted during the same period in 2004.

## Financial Condition

Cash and cash equivalents decreased by 16% as a result of Benpres's payment of semi-annual interest on debt based on the proposed terms of its Balance Sheet Management Plan. Short-term investments increased by 129% as Maynilad improved its collection efforts. Regular Maynilad operations also accounted for increases in materials and supplies (+18%) and property and equipment (+40%) as it recorded more facilities construction in progress.

Bank loans decreased by 13% due to partial upfront payments made by Maynilad following the approval of Court-assisted rehabilitation. Accounts payable and other current liabilities increased by 66% to P9.605 billion from P5.776 billion representing the continued accrual of interest and penalties on outstanding loans of the Benpres and Maynilad based on their respective contracted rates.

Payable to MWSS (by Maynilad) increased by 20% due to partial accrual of concession fees, interests and MOE (Maintenance Operating Expense). Other noncurrent liabilities increased by 59% also representing partial accrual of other unpaid obligations.

In the historical financial statement, minority interest account represents the share of minority shareholders in net assets of Maynilad.

## Key Performance Indicators

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. For the period in review, the financial performance of investees was within expectations.

*KPIs for Maynilad (Major subsidiary - Historical FS):*

- 1) Average Water for Distribution (Water that is treated and sent for distribution) went down by 124 million liters per day (MLD) to 2,137 MLD in 1H2005 from 2,261 MLD in 1H2004 due to the damage caused by 2004 typhoons to the Umiray Tunnel. The clogging of the Umiray tunnel and the 5% cutback in Angat water releases which were experienced during the first quarter of this year contributed to the supply drop.
- 2) Non-Revenue Water (measured as the percentage of non-billed water to total water treated and distributed) improved by one percentage point to 68% in 1H2005 from 69% in 1H2004. The results of various projects implemented in 2004 to reduce NRW will likely be felt this year.
- 3) Despite the reduction in volumes, the number of new connections (counted upon installation of service) increased by 13,034 to 602,065 during the period, due to the various capital expenditure projects being implemented such as the temporary facility and the 3R projects which revolve around the concept of water Recovery, Reallocation and Resale.
- 4) Average all-in tariff was at 30.19 in 1H2005 versus 19.92 for the whole of 2004.
- 5) Cost of services as a percentage of gross revenues (cost of services/gross revenues) was at 56% (P1.963 bn / P3.499 bn) in 1H2005 versus 81% (P2.157 bn / P2.651 bn) in 1H2004.

KPIs no. 1 to 4 together determine gross revenues while KPI no. 5 shows amount left for debt service/financing. In general, favorable operations mean annual improvements in KPIs 1, 3 and 4 and reductions in KPIs 2 and 5. Results of 1H2005 operations met the parent company's expectations.

Maynilad was still consolidated in the June 2005 financial statements. On June 1, 2005, however, the Debt Capital and Restructuring Agreement (DCRA) was approved by the Court and confirmed by all creditors to be effective on July 20, 2005. The main elements of the DCRA include

- full payment by Maynilad of its debt by 2013
- conversion by MWSS of \$22mn in Maynilad receivables for an 84% stake in Maynilad which it intends to sell back to private investors.
- our partners, Suez-Lyonnaise Des Eaux to remain as 16% equity holders
- and the write-off of Benpres' equity in exchange for the creditor banks' releasing Benpres of all its guarantees

Consequently, on July 21, 2005, Maynilad remitted total payments of P2.41 billion with breakdown as follows:

- upfront payments of US\$30.6 million and P100 million
- interest payments of US\$7.19 million and P202.98 million.

As a result of the payments, Benpres delivered to the receiver the irrevocable proxy for all its shares in Maynilad, in favor of MWSS or its nominees. Benpres also delivered to the receiver all its common shares in Maynilad.

Unaudited condensed financial information of Maynilad as of June 30, 2005 before intercompany eliminations follow:

	<u>(In Millions)</u>
Current assets	P6,471
Property and equipment – net	5,618
Concession assets	9,338
Total assets	23,989
Loans payable	6,174
Payable to MWSS	11,227
Payable to stockholders and an affiliate	1,905
Total Liabilities	27,553
Stockholders equity (capital deficiency)	(3,564)

Negative carrying value of the Company's investment in Maynilad which is included in the Company's deficit as of June 30, 2005 amounted to P1.565 billion. Maynilad's debts which are reflected in Benpres' liabilities amounted to P2.597 billion. However, these amounts will be reversed next quarter in view of the above events.

There are no events that will trigger direct or contingent financial obligation that is material to the Company other than the items discussed in the Notes to Financial Statements.

There are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the period.

There are no 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.

There are no significant elements of income or loss that did not arise from the issuer's continuing operations or any seasonal aspects that had a material effect on the financial condition or results of operations.

## **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, Except Par Value and Number of Shares)

	June 30, 2005 (Unaudited)	December 31, 2004 (Audited)	June 30, 2005 (Unaudited)	December 31, 2004 (Audited)
	Historical		Pro forma	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	P2,715	P3,236	P4,090	P4,527
Short-term investments	1,603	697	1,603	697
Marketable equity securities - net	384	390	384	390
Receivable - net	1,868	674	6,491	4,432
Current portion of program rights - net	—	—	910	873
Materials and supplies	344	290	344	457
Other current assets - net	380	356	1,325	819
Total Current Assets	7,294	5,643	15,147	12,195
<b>Noncurrent Assets</b>				
Investments and advances – net	24,002	23,545	16,182	15,972
Property and equipment - net	5,767	4,114	16,200	15,098
Due from affiliated companies	6	6	2,053	269
Program rights - net of current portion	—	—	785	804
Other noncurrent assets - net	16,185	16,100	19,554	19,624
Total Noncurrent Assets	45,960	43,765	54,774	51,767
<b>Total Assets</b>	<b>P53,254</b>	<b>P49,408</b>	<b>P69,921</b>	<b>P63,962</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Current Liabilities</b>				
Bank loans (Note 4)	P6,179	P7,076	P6,262	P7,543
Accounts payable and other current liabilities	9,605	5,776	13,335	8,980
Current portion of long-term debt (Note 5)	10,400	10,442	11,619	11,249
Estimated liabilities from guarantees and commitments	12,060	12,110	12,060	10,441
Total Current Liabilities	38,244	35,404	43,276	38,213
<b>Noncurrent Liabilities</b>				
Long-term debt - net of current portion (Note 5)	12	12	5,262	5,174
Payable to MWSS	11,227	9,295	11,227	9,295
Other noncurrent liabilities	4,292	2,692	5,044	3,310
Total Noncurrent Liabilities	15,531	11,999	21,533	17,779
Minority interest	(2,593)	230	3,040	6,195
<b>Stockholders' Equity</b>				
Capital stock	4,581	4,581	4,581	4,581
Capital in excess of par value	6,766	6,766	6,766	6,766
Share in equity adjustment from translation	62	62	62	62
Deficit	(9,337)	(9,634)	(9,337)	(9,634)
Total Stockholders' Equity	2,072	1,775	2,072	1,775
<b>Total Liabilities and Stockholders' Equity</b>	<b>P53,254</b>	<b>P49,408</b>	<b>P69,921</b>	<b>P63,962</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)**

	Six Months Ended June 30			
	2005	2004	2005	2004
	Historical		Pro forma	
<b>REVENUES</b>				
Net sales and services	<b>₱3,784</b>	₱2,551	<b>₱4,301</b>	₱4,606
Equity in net earnings of investees	<b>1,303</b>	954	<b>1,184</b>	921
Interest on Notes	<b>67</b>	67	–	–
Gain on sale of investment	<b>8</b>	–	<b>8</b>	–
Accretion of earnings on Notes	–	190	–	–
Airtime - net	–	–	<b>6,226</b>	4,560
Others	<b>31</b>	30	<b>112</b>	30
	<b>5,193</b>	3,792	<b>11,831</b>	10,117
<b>COSTS AND EXPENSES</b>				
Costs of sales and services	<b>1,893</b>	2,157	<b>3,024</b>	3,195
General and administrative	<b>920</b>	829	<b>2,629</b>	2,447
Provision for losses	<b>159</b>	38	<b>159</b>	38
Accretion of losses on Notes	<b>62</b>	–	–	–
Depreciation and amortization	<b>27</b>	34	<b>587</b>	595
Production costs	–	–	<b>2,098</b>	1,910
Amortization of program rights	–	–	<b>627</b>	492
Interest and others - net	<b>1,953</b>	1,290	<b>2,363</b>	1,483
	<b>5,014</b>	4,348	<b>11,487</b>	10,160
<b>INCOME (LOSS) BEFORE INCOME TAX AND MINORITY INTEREST</b>				
	<b>179</b>	(556)	<b>344</b>	(43)
<b>PROVISION FOR INCOME TAX</b>				
	–	–	<b>(82)</b>	(268)
<b>INCOME (LOSS) BEFORE MINORITY INTEREST</b>				
	<b>179</b>	(556)	<b>262</b>	(311)
<b>MINORITY INTEREST</b>				
	<b>118</b>	365	<b>35</b>	120
<b>NET INCOME (LOSS)</b>				
	<b>₱297</b>	(₱191)	<b>₱297</b>	(₱191)
<b>Earnings (Loss) Per Share (Note 6)</b>				
Basic	<b>₱0.0649</b>	(₱0.0417)	<b>₱0.0649</b>	(₱0.0417)
Diluted	<b>0.0649</b>	–	<b>0.0649</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>Second Quarter Ended June 30</b>			
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>Historical</b>		<b>Pro forma</b>	
<b>REVENUES</b>				
Net sales and services	<b>₱1,989</b>	<b>₱1,289</b>	<b>₱1,356</b>	<b>₱2,319</b>
Equity in net earnings of investees	<b>860</b>	<b>404</b>	<b>791</b>	<b>414</b>
Accretion of earnings on Notes	<b>85</b>	<b>186</b>	<b>–</b>	<b>–</b>
Interest on Notes	<b>34</b>	<b>34</b>	<b>–</b>	<b>–</b>
Gain on sale of investment	<b>8</b>	<b>–</b>	<b>8</b>	<b>–</b>
Airtime - net	<b>–</b>	<b>–</b>	<b>4,362</b>	<b>2,604</b>
Others	<b>11</b>	<b>14</b>	<b>55</b>	<b>–</b>
	<b>2,987</b>	<b>1,927</b>	<b>6,572</b>	<b>5,337</b>
<b>COSTS AND EXPENSES</b>				
Costs of sales and services	<b>878</b>	<b>1,179</b>	<b>1,445</b>	<b>1,734</b>
General and administrative	<b>513</b>	<b>367</b>	<b>1,422</b>	<b>1,210</b>
Provision for losses	<b>159</b>	<b>38</b>	<b>159</b>	<b>38</b>
Depreciation and amortization	<b>14</b>	<b>15</b>	<b>297</b>	<b>296</b>
Production costs	<b>–</b>	<b>–</b>	<b>1,054</b>	<b>999</b>
Amortization of program rights	<b>–</b>	<b>–</b>	<b>349</b>	<b>284</b>
Interest and others - net	<b>1,575</b>	<b>561</b>	<b>1,807</b>	<b>640</b>
	<b>3,139</b>	<b>2,160</b>	<b>6,533</b>	<b>5,201</b>
<b>INCOME (LOSS) BEFORE INCOME TAX AND MINORITY INTEREST</b>				
	<b>(152)</b>	<b>(233)</b>	<b>39</b>	<b>136</b>
<b>PROVISION FOR INCOME TAX</b>				
	<b>–</b>	<b>–</b>	<b>(61)</b>	<b>(187)</b>
<b>LOSS BEFORE MINORITY INTEREST</b>				
	<b>(152)</b>	<b>(233)</b>	<b>(22)</b>	<b>(51)</b>
<b>MINORITY INTEREST</b>				
	<b>168</b>	<b>184</b>	<b>38</b>	<b>2</b>
<b>NET INCOME (LOSS)</b>				
	<b>₱16</b>	<b>(₱49)</b>	<b>₱16</b>	<b>(₱49)</b>

*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)**

	<b>Six Months Ended June 30</b>	
	<b>2005</b>	<b>2004</b>
<b>CAPITAL STOCK - P1 par value</b>		
Authorized - 5,500,000,000 shares		
Issued - 4,581,544,408 shares	<b>P4,581</b>	<b>P4,581</b>
<b>CAPITAL PAID IN EXCESS OF PAR VALUE</b>	<b>6,766</b>	<b>6,766</b>
<b>SHARE IN EQUITY ADJUSTMENT FROM TRANSLATION</b>	<b>62</b>	<b>53</b>
<b>DEFICIT</b>		
Balance at beginning of period	<b>(9,634)</b>	<b>(8,233)</b>
Net income (loss)	<b>297</b>	<b>(191)</b>
Balance at end of period	<b>(9,337)</b>	<b>(8,424)</b>
	<b>P2,072</b>	<b>P2,976</b>

*See accompanying Notes to Consolidated Financial Statements.*

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

	Six Months Ended June 30			
	2005	2004	2005	2004
	Historical		Pro forma	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income (loss)	P297	(P191)	P297	(P191)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Equity in net earnings of investees	(1,303)	(954)	(1,184)	(921)
Minority interest	(118)	(365)	(35)	(120)
Accretion of earnings	62	(190)	-	-
Interest on Notes	(67)	(67)	-	-
Provision for losses	159	38	159	38
Depreciation and amortization	27	34	1,214	1,087
Others	(55)	88	(55)	88
Changes in assets and liabilities:				
Decrease (increase) in current assets	(1,272)	20	(3,097)	(1,208)
Increase in current liabilities	5,761	2,036	6,287	3,525
Net cash provided by operating activities	3,491	449	3,586	2,298
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Increase (decrease) in:				
Short-term investments	(906)	-	(906)	-
Marketable equity securities	6	-	6	-
Investments and advances	692	671	815	625
Property and equipment and other assets	(1,765)	960	(1,734)	239
Net cash provided by (used in) investing activities	(1,973)	1,631	(1,819)	864
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase in (payment of) loans and long term debt	(934)	31	(818)	260
Increase (decrease) in:				
Other noncurrent liabilities	1,600	868	1,734	930
Minority interest	(2,705)	(2,107)	(3,120)	(2,263)
Net cash used in financing activities	(2,039)	(1,208)	(2,204)	(1,073)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(521)</b>	<b>872</b>	<b>(437)</b>	<b>2,089</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>3,236</b>	<b>1,994</b>	<b>4,527</b>	<b>3,575</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>P2,715</b>	<b>P2,866</b>	<b>P4,090</b>	<b>P5,664</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 56.31% 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 18.

##### **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.

Long-term direct obligations of the Parent Company that fell due for payment as of June 30, 2005 and December 31, 2004 amounted to about ₱10,400 million and ₱10,442 million, respectively. In addition, by virtue of its guarantee and commitments, based on the BSMP, the Parent Company may be liable for certain obligations that already fell due amounting to approximately US\$354 million as of June 30, 2005 and US\$351 million as of December 31, 2004. The Parent Company's guarantees in Maynilad Water Services, Inc. (Maynilad Water) may be resolved upon agreement of all of Maynilad Water's creditors on the restructured terms of its outstanding liabilities.

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. Credit Suisse First Boston were appointed as financial adviser to assist the Parent Company in reviewing its capital structure as well as in preparing the BSMP that will enable it to address its maturing direct obligations, as well as contingent obligations that may arise from its outstanding guarantees and commitments. The creditors formed an Overall Creditors Committee (OCC) to facilitate the overall process for the BSMP.

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 2003, December 2003, May 2004, November 2004, and May 2005. The next is scheduled at the end of November 2005.

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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 June 30, 2005 and December 31, 2004, the carrying value of the Notes amounted to ₱7,811 million and ₱7,806 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.

Pro forma consolidated financial statements are presented to show the effect assuming the Parent Company exchanged the Notes for the underlying ABS-CBN and SkyVision shares immediately after the transfer. The pro forma adjustments were made to reflect the consolidation of the financial statements of ABS-CBN with those of the Parent Company and the application of the equity method of accounting for the investment in SkyVision.

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

#### Basis of Preparation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the Philippines under the historical cost basis.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

#### 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.

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated on the date on which control is transferred out of the Company.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated.

#### Minority Interest

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

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

#### Investments in Associates

The Company's investments in associates where the Company owns 20% to 50% or has significant influence, are accounted for under the equity method of accounting in the consolidated financial statements. These are carried in the consolidated balance sheets at cost plus post-acquisition changes in the Company's share in net assets of the associates, less any impairment in value. The statements of operations reflect the Company's share in the results of operations of the associates. Unrealized gains arising from transactions with its associates are eliminated against the investments accounts. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred. The Company's investments in its associates include goodwill (net of accumulated amortization) on acquisition, which is treated in accordance with the accounting policy for goodwill stated below.

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 the 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, United 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.

**4. Bank Loans**

	Historical		Pro Forma	
	June 30 2005	Dec. 31 2004	June 30 2005	Dec. 31 2004
Peso loans	₱1,427	₱1,427	₱1,510	₱1,894
Dollar loans	4,752	5,649	4,752	5,649
	<b>₱6,179</b>	<b>₱7,076</b>	<b>₱6,262</b>	<b>₱7,743</b>

In the historical consolidated financial statements, peso and dollar loans mainly represent loans of Maynilad Water, with annual interest rates range from 1.90% to 4.50% for US dollar denominated loans, and from 13.50% to 14.75% for peso denominated loans. Maynilad Water secured these loans as a bridge financing while negotiating for a long-term loan of US\$350 million. These loans are guaranteed by its stockholders, the Parent Company and Suez, through its own parent company, Suez S.A., either alone or together (but on a several basis).

In the pro forma consolidated financial statements, ABS-CBN loans represent peso-denominated loans obtained from local banks which bear average annual interest rates of 11.02%.

**5. Long-Term Debt**

Type/Creditor	Interest rates	Maturity date	Historical	Pro Forma
<b>Parent Company</b>				
7.875% Notes	7.875%	December 19, 2002	8,400	8,400
LTCPs - Series A-2	1-1/8% over 91-day TB rate	October 1, 2003	2,000	2,000
4.2% Perpetual Convertible Bonds	4.20%	Upon conversion	12	12
			10,412	10,412
<b>ABS-CBN</b>				
Term loan under the senior credit agreement		Various	-	6,469
Total			10,412	16,881
Less current portion			10,400	11,619
Net of current portion			12	5,262

## 6. Earnings Per Share

Basic earnings per share are calculated by dividing the net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

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

<u>Net income (loss)</u>	<b>June 30</b>	
	<b>2005</b>	2004
(a) Net income (loss)	<b>P297</b>	(P191)
Interest on convertible bonds and amortization of bond issue cost	<b>1</b>	1
<b>(b) Net income (loss) – diluted</b>	<b>P298</b>	(P190)
<u>Shares</u>		
(c) Weighted average number of common shares - basic	<b>4,581,544,408</b>	4,581,544,408
Conversion of bonds	<b>3,421,410</b>	3,421,410
<b>(d) Adjusted weighted average common shares - diluted</b>	<b>4,584,965,818</b>	4,584,965,818
<u>Per Share Amounts</u>		
Basic (a/c)	<b>P0.0649</b>	(P0.0417)
Diluted (b/d)	<b>0.0649</b>	–

The effect of the conversion of the Perpetual Convertible Bonds is anti-dilutive for the period ended June 30 2004.

## 7. Segment Information

Segment information is prepared on the following bases:

### Historical

Business segments: The Company's main businesses are investment holdings and water distribution.

### Pro Forma

Business segments: For management purposes, ABS-CBN is recognized 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 generates revenue from sale of national and regional advertising time. Cable and satellite service, cable television channels and blocked time on television stations. Other businesses include movie production, consumer products and services.

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

Inter-segment transactions: segment revenue, segment expenses and segment results include transfers among business segments and among geographical segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar services. Those transfers are eliminated in consolidation.

**HISTORICAL**

	Investment Holdings		Water distribution		Services		Eliminations		Consolidated	
	June 30		June 30		June 30		June 30		June 30	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Revenues	<b>1,272</b>	709	<b>3,752</b>	2,551	-	-	<b>170</b>	532	<b>5,193</b>	3,792
	<b>June 30</b>	Dec. 31	<b>June 30</b>	Dec. 31	<b>June 30</b>	Dec. 31	<b>June 30</b>	Dec. 31	<b>June 30</b>	Dec. 31
	<b>2005</b>	2004	<b>2005</b>	2004	<b>2005</b>	2004	<b>2005</b>	2004	<b>2005</b>	2004
Segment assets	<b>16,913</b>	14,343	<b>23,989</b>	20,106	<b>1</b>	38	<b>(3,345)</b>	(1,151)	<b>37,557</b>	33,336
Investment in associates	<b>15,687</b>	13,546	-	-	<b>10</b>	-	-	857	<b>15,697</b>	14,403
Consolidated total assets									<b>53,254</b>	47,739
Segment liabilities	<b>20,115</b>	16,518	<b>21,379</b>	15,817	<b>12</b>	40	<b>(4,322)</b>	(4,171)	<b>37,184</b>	28,204
Bank loans and long-term debt	<b>10,412</b>	10,454	<b>6,174</b>	7,071	<b>5</b>	5	-	-	<b>16,591</b>	17,530
Consolidated Total Liabilities									<b>53,775</b>	45,734

**PRO FORMA**

	Investment Holdings		Water distribution		Services		Broadcasting		Eliminations		Consolidated	
	Dec. 31		Dec. 31		Dec. 31		Dec. 31		Dec. 31		Dec. 31	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Segment assets	<b>16,913</b>	14,343	<b>23,989</b>	20,106	<b>1</b>	38	<b>24,592</b>	24,917	<b>(11,271)</b>	(10,075)	<b>54,224</b>	49,329
Investment in associates	-	-	-	-	-	-	-	-	-	-	-	-
	<b>15,687</b>	13,546	-	-	<b>10</b>	-	-	2,607	-	(1,520)	<b>15,697</b>	14,633
Consolidated total assets											<b>69,921</b>	63,962
Segment liabilities	<b>20,115</b>	16,518	<b>21,379</b>	15,817	<b>12</b>	40	<b>4,479</b>	5,296	<b>(4,318)</b>	(5,645)	<b>41,666</b>	32,026
Bank loans and long-term debt	<b>10,412</b>	10,454	<b>6,174</b>	7,071	<b>5</b>	5	6,552	6,436	-	-	<b>23,143</b>	23,966
Consolidated Total Liabilities											<b>64,809</b>	55,992



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**8. Restatement of 2004 Financial Statements**

The balance of "Other noncurrent assets" and "Estimated liabilities from guarantees and commitments" accounts were restated from previously reported to reflect the Company's share in the remaining potential networth of BayanTel amounted to approximately ₱1,669 million.

**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**

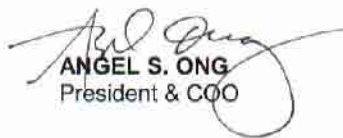
By:

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

August 12, 2005  
Date

  
**JORGE A. LICHAUCO**  
Chief Financial Officer

August 12, 2005  
Date

  
**ANGEL S. ONG**  
President & COO

August 12, 2005  
Date

**BENPRES HOLDINGS CORPORATION**  
**AGING OF ACCOUNTS RECEIVABLES**  
**AS OF JUNE 30, 2005**  
**(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>6,868</b>	1,232	997	367	248	157	1,275	2,592
Allowance	<b>1,378</b>							
Net A/R	<b><u>5,490</u></b>							
<b><u>II. NON - TRADE RECEIVABLES</u></b>								
Accrued interest	<b>4</b>							
Advances to suppliers	<b>359</b>							
Advances to talents	<b>2</b>							
Advances against claims - sss	<b>1</b>							
Others	<b>635</b>							
	<b><u>1,001</u></b>							
	<b><u>6,491</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, advances to suppliers and contractors