

SEC Number AS093-04369
TIN 002-825-058

**BENPRES HOLDINGS CORPORATION
AND SUBSIDIARIES**

(Company's Full Name)

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

(Company's Address)

910-3040

(Telephone Number)

December 31

(Fiscal Year Ending)
(month & day)

Form 17 - Q

Form Type

Amendment Designation (If applicable)

June 30, 2004

Period Ended Date

(Secondary License Type and File Number)

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, 2004**
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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<u>Common Shares</u>	<u>4,581,544,408 shares</u>
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<u>Long Term Commercial Papers</u>	<u>P2,000,000,000.00</u>
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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 posted unaudited historical revenues of P3.792 billion in the first six months of 2004 compared to P4.153 billion in the same period last year. Net sales and services declined by 8% to P2.551 billion, reflecting the decrease in Maynilad revenues due to lower billed volume. Costs of sales and services increased by 4% to P2.157 billion while general and administrative expenses (GAEX) dropped 37% to P829 million, due to a reclassification of Concession Fees from GAEX to Cost of Sales and Services. Provision for losses resulted from the payment of interest on guarantees, as Benpres paid interest on BayanTel convertible preferred shares and continued to accrue such payments at contractual rates. Maynilad's financial performance remains consolidated under Benpres on account of Benpres's 59% ownership in the water utility. In addition, the January to June 2003 comparative financial results also includes the accounts of Customer Contact Center, Inc. (C-Cubed), which was sold on August 8, 2003. C-Cubed booked revenues of P188 million, costs and expenses of P181 million and profits of P7 million in the 2003 comparative period. Net loss for January to June 2004 stood at P191 million versus a net income of P43 million in the first six months of 2003.

Core investments ABS-CBN Broadcasting Corporation and First Philippine Holdings Corporation performed as well as was expected for the period. Consolidated gross revenues of ABS-CBN grew 10% to P6.614 billion, while net income also hiked 10% YoY (year-on-year) to P560 million. However, EBITDA slipped 3% YoY to P2.132 billion as cash expenses overtook revenue growth in the first half of 2004. First Holdings booked profits of P1.976 billion for the first semester, 2% higher than in the previous year. The 2004 net income includes a P228.7 million-gain on the sale of investments as First Holdings sold its 1.1 million preferred shares in SIRF Technology Holdings, Inc., a San Jose, California-based supplier of GPS semiconductor and software solutions. Total revenues increased 14% to P20.318 billion YoY.

On June 28, 2004, the Pasig Regional Trial Court, Branch 58 approved a rehabilitation plan for BayanTel, almost a year after unsecured creditors led by Asian Avenue Ltd filed for court receivership of BayanTel. The approved plan allows BayanTel to pay US\$375 million (out of principal obligations of (US\$477 million) in 19 years. The remainder, along with interest and other BayanTel obligations, will be converted to an appropriate instrument that will not burden the business operations of BayanTel. Any conversion of debt to equity will be limited to 40% ownership in BayanTel. The decision also includes equal treatment of all creditors—secured and unsecured. Some creditors, however, have given notice that it will appeal the Court's decision.

On June 21, 2004, the Supreme Court allowed MWSS to draw on the US\$120 million performance bond of Maynilad, to cover unpaid Concession Fees. Subsequently, and on the suggestion of NEDA and by reason of the Supreme Court decision, MWSS has moved to withdraw its consent from the Alternative Rehabilitation Plan based on Amendment No. 2 to the Concession Agreement, which was submitted to the Regional Trial Court (RTC) of Quezon City, Branch 90 in March 2004. Although Amendment No. 2 contemplates a limited draw of US\$50 million on the Performance Bond regardless of the outcome of the case lodged with the Supreme Court, MWSS maintained its position to withdraw from Amendment No. 2 and Maynilad has reserved all its rights and remedies. Nevertheless, Maynilad and MWSS will engage in further discussions for a period of 30 days and the RTC hearing Maynilad's petition for corporate rehabilitation has given Maynilad a non-extendable period of 30 days to submit a new rehabilitation plan or an Adjusted 2003 Rehabilitation Plan. The plan must be submitted to the rehabilitation court by September 5, 2004.

Financial Condition

Cash and cash equivalents increased by 44% as result of net cash provided by operating, investing and financing activities. Other current assets also increased due to various prepaid expenses. This resulted to an increase in Total current assets by 24%.

Unaudited consolidated current liabilities increased by 6% to P40.550 billion as of June 30, 2004. This amount includes a P1.333 billion or 19% YoY increase in Maynilad's unpaid Concession Fees to P8.2 billion. Accounts payable and other current liabilities also increased by P703 million or 18% to P4.525 billion.

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, 2004 (Unaudited)	December 31, 2003 (Audited)	June 30, 2004 (Unaudited)	December 31, 2003 (Audited)
	Historical		Pro forma	
ASSETS				
Current Assets				
Cash and cash equivalents	₱2,866	₱1,994	₱5,664	₱3,575
Marketable equity securities - net	390	390	390	390
Receivable - net	606	695	4,883	4,483
Current portion of program rights - net	—	—	991	881
Materials and supplies	307	325	307	474
Other current assets - net	253	166	1,059	579
Total Current Assets	4,422	3,570	13,294	10,382
Noncurrent Assets				
Investments and advances – net	22,727	22,225	15,074	14,790
Property and equipment - net	3,949	3,967	14,580	15,144
Due from affiliated companies	6	6	310	336
Program rights - net of current portion	—	—	829	936
Other noncurrent assets - net	12,994	13,970	16,619	16,889
	39,676	40,168	47,412	48,095
	₱44,098	₱43,738	₱60,706	₱58,477
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Bank loans (Note 4)	₱7,066	₱7,007	₱7,110	₱7,228
Payable to MWSS	8,203	6,870	8,203	6,870
Accounts payable and other current liabilities	4,525	3,822	8,837	6,645
Current portion of long-term debt (Note 5)	10,426	10,338	10,643	12,454
Estimated liabilities from guarantees and commitments	10,330	10,358	10,330	10,358
Total Current Liabilities	40,550	38,395	45,123	43,555
Noncurrent Liabilities				
Long-term debt - net of current portion (Note 5)	12	12	5,771	3,466
Other noncurrent liabilities	2,165	1,297	2,559	1,629
Total Noncurrent Liabilities	2,177	1,309	8,330	5,095
Minority interest	(1,605)	867	4,277	6,660
Stockholders' Equity				
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	53	53	53	53
Deficit	(8,424)	(8,233)	(8,424)	(8,233)
Total Stockholders' Equity	2,976	3,167	2,976	3,167
	₱44,098	₱43,738	₱60,706	₱58,477

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			
	2004	2003	2004	2003
	Historical		Pro forma	
REVENUES				
Net sales and services	₱2,551	₱2,780	4,606	₱4,439
Equity in net earnings of investees	954	925	921	846
Accretion of earnings on Notes	190	156	–	–
Interest on Notes	67	67	–	–
Airtime - net	–	–	4,560	4,368
Others	30	225	30	260
	3,792	4,153	10,117	9,913
COSTS AND EXPENSES				
Costs of sales and services	2,157	2,076	3,195	2,957
General and administrative	829	1,325	2,447	2,681
Provision for losses	38	–	38	–
Depreciation and amortization	34	79	595	736
Production costs	–	–	1,910	1,596
Amortization of program rights	–	–	492	421
Interest and others - net	1,290	1,002	1,483	1,310
	4,348	4,482	10,160	9,701
INCOME (LOSS) BEFORE INCOME TAX AND MINORITY INTEREST	(556)	(329)	(43)	212
PROVISION FOR INCOME TAX	–	–	(268)	(329)
LOSS BEFORE MINORITY INTEREST	(556)	(329)	(311)	(117)
MINORITY INTEREST	365	372	120	160
NET INCOME (LOSS)	(₱191)	₱43	(₱191)	₱43
Earnings (Loss) Per Share (Note 7)				
Basic	₱0.0417	₱0.0093	₱0.0417	₱0.0093
Diluted	0.0417	0.0095	0.0417	0.0095

See accompanying Notes to Consolidated Financial Statements.

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

	Second Quarter Ended June 30			
	2004	2003	2004	2003
	Historical		Pro forma	
REVENUES				
Net sales and services	₱1,289	₱2,686	₱2,319	₱3,610
Equity in net earnings of investees	404	583	414	555
Accretion of earnings on Notes	186	167	–	–
Interest on Notes	34	34	–	–
Airtime - net	–	–	2,604	2,508
Others	14	132	–	127
	1,927	3,602	5,337	6,800
COSTS AND EXPENSES				
Costs of sales and services	1,179	2,052	1,734	2,561
General and administrative	367	1,232	1,210	1,814
Provision for losses	38	–	38	–
Depreciation and amortization	15	33	296	365
Production costs	–	–	999	953
Amortization of program rights	–	–	284	256
Interest and others - net	561	742	640	902
	2,160	4,059	5,201	6,851
INCOME (LOSS) BEFORE INCOME TAX AND MINORITY INTEREST	(233)	(457)	136	(51)
PROVISION FOR INCOME TAX	–	–	(187)	254
LOSS BEFORE MINORITY INTEREST	(233)	(457)	(51)	(305)
MINORITY INTEREST	184	367	2	215
NET LOSS	(₱49)	(₱90)	(₱49)	(₱90)

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)

	Six Months Ended June 30	
	2004	2003
CAPITAL STOCK - P1 par value		
Authorized - 5,500,000,000 shares		
Issued - 4,581,544,408 shares	P4,581	P4,581
CAPITAL PAID IN EXCESS OF PAR VALUE	6,766	6,766
SHARE IN EQUITY ADJUSTMENT FROM TRANSLATION	53	55
DEFICIT		
Balance at beginning of period, as previously reported	(8,233)	(867)
Change in accounting for intangible assets	-	(4,130)
Adjustment for the company's share in the ordered refund by MERALCO (Note 6)	-	(2,445)
Balance at beginning of period, as restated	(8,233)	(7,442)
Net income (loss)	(191)	43
Balance at end of period	(8,424)	(7,399)
	P2,976	P4,003

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			
	2004	2003	2004	2003
	Historical		Pro forma	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	(P191)	P43	(P191)	P43
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Equity in net earnings of investees	(954)	(925)	(921)	(846)
Minority interest	(365)	(372)	(120)	(160)
Accretion of earnings	(190)	(156)	-	-
Interest on Notes	(67)	(67)	-	-
Provision for losses	38	-	38	-
Depreciation and amortization	34	79	1,087	1,157
Others	88	52	88	52
Changes in assets and liabilities:				
Decrease (increase) in current assets	20	326	(1,208)	(468)
Increase in current liabilities	2,036	1,135	3,525	1,428
Net cash provided by operating activities	449	115	2,298	1,206
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase (decrease) in:				
Investments and advances	671	(3,928)	625	(3,664)
Property and equipment and other assets	960	1,235	239	2,045
Net cash provided by (used in) investing activities	1,631	(2,693)	864	(1,619)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in (payment of) loans and long term debt	31	(757)	260	(794)
Increase (decrease) in:				
Other noncurrent liabilities	868	327	930	156
Minority interest	(2,107)	2,754	(2,263)	1,324
Net cash provided by (used in) financing activities	(1,208)	2,324	(1,073)	686
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	872	(254)	2,089	273
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,994	1,859	3,575	2,574
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P2,886	P1,605	P5,664	P2,847

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)

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 56.39% 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 19.

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 in December 2003 amounted to about P10,338 million. 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\$356 million as of December 31, 2003. As of March 31, 2004 and December 31, 2003 2002, historical consolidated current liabilities exceeded consolidated current assets by P35,492 million and P34,825 million, respectively. Net loss for the period ended June 30, 2004 amounted to P191 while net income for the period ended June 30, 2003 P43 million. In 2003, guarantees with respect to First Philippine Infrastructure Development Corporation (FPIDC) and Manila North Tollways Corporation (MNTC) have been removed. The Parent Company's guarantees in Maynilad Water Services, Inc. (Maynilad Water) may be resolved upon approval of Amendment No. 2 as discussed in Note 26(a) and item (d).

Starting in 2002, the Parent Company defaulted on its principal and interest payments on its long-term direct obligations and guarantees and commitments (see Notes 15 and 26). 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 of August 13, 2004, negotiations with the creditors are still on going.

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 and May 2004.

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 to fast track the debt negotiation process.

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, 2004 and December 31, 2003, the carrying value of the Notes amounted to ₱8,050 million and ₱7,792 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.

3. Summary of 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.

Adoption of New Statement of Financial Accounting Standards (SFAS)/ International Accounting Standards (IAS)

The Company adopted the following SFAS/IAS which became effective in 2003:

- SFAS 10/IAS 10, "Events After the Balance Sheet Date," prescribes the accounting policies and disclosures related to adjusting and non-adjusting subsequent events. Additional disclosures required by the standard were included in the consolidated financial statements, principally the date of authorization for release of the consolidated financial statements.
- SFAS 22/IAS 22, "Business Combinations," requires that an acquisition, where an acquirer can be identified, be accounted for by the purchase method. Any goodwill arising from the acquisition should be amortized generally over 20 years. The change in accounting policy did not result in restatement of prior year consolidated financial statements.
- SFAS 37/IAS 37, "Provisions, Contingent Liabilities and Contingent Assets," provides the criteria for the recognition and bases for measurement of provisions, contingent liabilities and contingent assets. The new standard requires that a provision should be recognized when (a) an enterprise has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations; and (c) a reliable estimate can be made of the amount of the obligation. Following the new recognition criteria, MERALCO reversed the recorded provision for self-insurance on properties not covered by the insurance policies.
- SFAS 38/IAS 38, "Intangible Assets," establishes the criteria for the recognition and measurement of intangible assets. It also requires that expenditures on research, start-up, training, advertising and relocation be expensed as incurred. Accordingly, the Parent Company and certain subsidiaries and associates changed the method of accounting for pre-operating expenses, development costs and deferred charges by charging to expense the unamortized portion of preoperating expenses, development costs and deferred charges. Previously, such expenses were deferred and amortized.

New Accounting Standards Effective Subsequent to 2003

The Philippine Accounting Standards Council (ASC) has approved the following accounting standards, which will be effective subsequent to 2003:

- SFAS 12/IAS 12, "Income Taxes," prescribes the accounting treatment for current and deferred income taxes. The standard requires the use of the balance sheet liability method in accounting for deferred income taxes. It requires the recognition of a deferred tax liability and, subject to certain conditions, deferred tax asset for all temporary differences, with certain exceptions. The standard provides for the recognition of a deferred tax asset when it is probable that taxable income will be available against which the deferred tax asset can be used. It also provides for the recognition of a deferred tax liability with respect to asset revaluations. The Company and its associates will adopt SFAS 12/IAS 12 in 2004. The Company and its associates have not yet determined the financial impact of the adoption of this standard.

- SFAS 17/IAS 17, "Leases," which prescribes the accounting policies and disclosures to apply to finance and operating leases. The Company and its associates will adopt SFAS 17/IAS 17 in 2004. The Company and its associates have not yet determined the financial impact of the adoption of this standard.
- SFAS 21/IAS 21, "The Effects of Changes in Foreign Exchange Rates", provides restrictive conditions for the capitalization of foreign exchange losses. The Company believes that the adoption of SFAS 21/IAS21 has no material effect on Maynilad Water since Maynilad Water is allowed to recover foreign exchange losses on its foreign currency denominated borrowings as part of customers' billings under the Amendment No. 1 of the Concession Agreement. The practice of First Philippine Holdings Corporation (FPHC) and its subsidiaries has been to capitalize foreign exchange adjustments arising from foreign currency-denominated obligations incurred to finance major construction projects. Foreign exchange adjustments incurred during the construction period that are regarded as adjustments to borrowing costs may qualify for capitalization as part of the costs of the constructed assets under SFAS 25, "Borrowing Costs", and, accordingly, will not be affected by the adjustments required under SFAS 21/IAS 21 in 2005. However, the capitalized foreign exchange losses that are not regarded as adjustments to interest cost as defined in SFAS 25 will be written off as an adjustment to the beginning retained earnings of 2005. SFAS 21/IAS 21 further provides that upon adoption, any undepreciated capitalized foreign exchange adjustments will be adjusted against beginning retained earnings of 2005. For purposes of applying the equity method, capitalized foreign exchange losses are reversed in the consolidated financial statements in compliance with the requirement of SFAS 28/IAS 28, "Accounting for Investments in Associates," for uniform accounting policies.

The International Accounting Standards Board has recently issued an amended IAS 21 which, among others, removes the limited option in the previous version of IAS 21 to capitalize exchange differences resulting from a severe devaluation or depreciation of a currency against which there is no practical means of hedging. Such exchange differences will be recognized directly in profit or loss under the amended IAS 21. The amended IAS 21 further requires a company to determine its functional currency and measure its results and financial position in that currency. Translation procedures are specified when the presentation currency used for reporting differs from the company's functional currency. The ASC has yet to adopt the amended IAS 21.

The Philippine Securities and Exchange Commission (SEC) has recently issued SEC Memorandum Circular No. 14, Series of 2003, Guidelines on Preparation of Functional Currency Financial Statements, which gives qualified companies the option to file functional currency financial statements covering periods ending on or after October 31, 2003, subject to compliance with certain criteria. Based on the criteria set forth in the SEC Memorandum Circular, management believes that certain subsidiaries of FPHC, the First Gen Group, are qualified for functional currency reporting. Once the First Gen Group obtains the necessary SEC approval for functional currency reporting, with the US dollar as its functional currency, the capitalized foreign exchange differences arising on the US dollar-denominated obligations of First Gen will be eliminated in the translation process without negatively affecting retained earnings. FPHC has yet to determine the full impact of the potential adoption of functional currency reporting by First Gen on its consolidated financial statements.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries.

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, 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.

4. **Bank Loans**

	Historical		Pro Forma	
	June 30 2004	Dec. 31 2003	June 30 2004	Dec. 31 2003
Peso loans	₱1,427	₱1,427	₱1,471	₱1,648
Dollar loans	5,639	5,580	5,639	5,580
	₱7,066	₱7,007	₱7,110	₱7,228

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).

On February 28, 2002, Maynilad Water, together with the Parent Company and Suez as guarantors, entered into a Third Amendment Agreement relating to the US\$100 million bridge loan which amended, among others, the maturity date of the bridge loan to December 16, 2002 subject to certain conditions specified in the Third Amendment Agreement. The banks, however, have the put option to require Maynilad Water to pay all or a portion of the bridge loan on any day after August 31, 2001 until Maturity Date, provided that the relevant bank(s) has (have) given not less than two business days prior written notice, as defined in the Third Amendment Agreement.

On September 17, 2002, Maynilad Water, together with the Parent Company and Suez as guarantors, entered into a Fourth Amendment Agreement relating to the US\$100 million bridge loan which amended, among others, the maturity date of the bridge loan to March 17, 2003 subject to certain conditions specified in the Fourth Amendment Agreement.

In view of the on-going arbitration on the early termination of the Concession Agreement, as discussed in Note 1, Maynilad Water formally suspended payments of all principal and interest amortizations on the bridge loan on October 7, 2003. As a result of the suspension of payment, the entire unpaid principal amount of the bridge loan and interest thereon as of October 7, 2003 totaling ₱4,450 million or US\$80.80 million became due and demandable. On October 22, 2003, Suez paid ₱1,920 million (US\$34.57 million) for its 40% share as guarantor on the bridge loans.

On October 31, 2003, Credit Agricole Indosuez Merchant Bank Asia Ltd (Caimbal) terminated its Credit Facility Agreement with Maynilad Water and demanded the payment of the principal outstanding loan amount, together with the accrued interests due up to November 6, 2003 totaling ₱1,200 million (US\$21.82 million). On November 6, 2003, Maynilad Water made a partial payment amounting to ₱110 million (US\$2.13 million), and the remaining balance of ₱1,090 million (US\$19.68 million) was paid in full by Suez on November 20, 2003. Caimbal subrogates Suez for ₱1,100 million (US\$19.71 million), including default interest, into the rights towards the Company.

As of December 31, 2003, Maynilad Water's liability to Suez arising from Suez's payment of a portion of the Company's debt amounted to ₱3,017 million. These amounts are reflected as part of dollar-denominated loans.

The portion of the dollar-denominated bridge loan and peso-denominated bank loans guaranteed by the Parent Company totaling ₱3,985 million has remained outstanding as of December 31, 2003. The guarantees of the Parent Company will be resolved upon approval of Amendment No. 2.

The original terms of the loans provide for the payment of penalties should there be an event of default on interest and/or principal computed at 2% per annum from the date of default. Total penalties accrued by Maynilad Water for the year ended December 31, 2003 amounted to ₱8 million.

ABS-CBN

In the pro forma consolidated financial statements, average annual interest rates of ABS-CBN loans are 9.92% for peso loans and 5.0% for dollar loans.

5. Long-Term Debt

Type/Creditor	Interest rates	Maturity date	Historical	Pro Forma
Parent Company				
7.875% Notes	7.875%	December 19, 2002	8,426	8,426
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
			10,438	10,438
ABS-CBN				
Senior Credit Facility:				
First drawdown	Various		-	4,286
Second drawdown	-do-		-	1,690
			-	5,976
Total			10,438	16,414
Less current portion			10,426	10,643
Net of current portion			12	5,771

6. Manila Electric Company (MERALCO)

MERALCO is a 17%-owned associate of FPHC. MERALCO distributes power under a franchise granted by the Philippine government. On March 24, 2003, the Energy Regulatory Commission (ERC) granted MERALCO a Provisional Authority (PA) to continue to operate electric services in the cities of Manila, San Juan, Las Piñas, Quezon, Malabon, Makati, Caloocan, Pasay, Mandaluyong and Parañaque and the municipality of Navotas.

On June 9, 2003, Republic Act (RA) No. 9209 was signed into law granting MERALCO a 25-year franchise to construct, operate and maintain an electric distribution system in its existing service area. RA No. 9209 consolidated 50 previously held franchises covering cities and a municipality in Metro Manila and other cities and municipalities in six provinces adjoining Metro Manila.

MERALCO is subject to the ratemaking regulations and policies of the ERC that replaced the Energy Regulatory Board (ERB) under RA No. 9136, also known as the Electric Power Industry Reform Act (EPIRA) of 2001.

Case with the Supreme Court (SC) on the Refund

The ERB rendered a decision on February 16, 1998 ordering MERALCO to refund to its customers ₱0.167 per kilowatt hour (kwh) starting with MERALCO's billing cycles beginning February 1994 until February 1998, or correspondingly credit the same, in favor of the customers, against their future consumption. The ERB's decision superseded and modified the provisional relief of ₱0.184 per kwh that the ERB granted to MERALCO on January 28, 1994.

MERALCO contested the ERB decision with the Court of Appeals (CA) which rendered a decision setting aside the contested ERB decision. The case was then brought to the SC by ERB. On November 15, 2002, the Third Division of the SC reversed the CA decision; correlatively, the SC decision affirmed the ERB's directive to MERALCO to refund its customers. MERALCO filed Motions for Consideration and Reconsideration with the SC on various dates. On April 30, 2003, the Third Division of the SC denied the Urgent Motion for Reconsideration filed by MERALCO, rendering its decision dated November 15, 2002 final and executory.

MERALCO has reached an agreement with the ERC that the refund be carried out in four phases, based on the average monthly electric consumption of the customers. Phases I to III cover residential and general service customers consuming monthly 100kwh or less of electricity (Phase I), 101 to 300kwh (Phase II), and over 300 kwh (Phase III) based on their April 2003 consumption. Phase IV involves commercial and industrial customers. The ERC has approved the Phase I, II and III refund plans in June 2003, July 2003 and November 2003, respectively. The proposal for the Phase IV refund plan will soon be filed. The Phase IV refund plan proposes to pay the refund over a period of around 5 years starting May 2005.

As of December 31, 2003, the balance of each of the four refund phases follows:

Phase	Refund Amount	Cash Payments	Application against Billings	Balance
<i>(Amounts in Millions)</i>				
I	₱2,170	₱1,214	₱329	₱627
II	4,559	403	2,769	1,387
III	4,905	—	—	4,905
IV	18,689	—	—	18,689
	₱30,323	₱1,617	₱3,098	₱25,608

Certain consumer groups have asked the ERC to clarify whether MERALCO will be required to refund an additional ₱6,200 million to ₱6,800 million in interest on the excess charges MERALCO was ordered to refund. MERALCO has obtained an external legal counsel's opinion interpreting the SC Decision that MERALCO is not required to pay interest.

Rate Applications with the ERC

MERALCO filed in 2003 applications for rate increases with the ERC. On May 30, 2003, the ERC released an order granting MERALCO an over-all increase of ₱0.17 per kwh over May 2003 levels, after giving effect to the reduction of rates ordered by the SC in April 2003. This consists of ₱0.0835 per kwh increase reflecting higher generation and transmission charges and a ₱0.0865 per kwh increase in Meralco-related charges (distribution, supply, and metering). This tariff increase was implemented in June 2003.

On November 27, 2003, the ERC approved a provisional adjustment in MERALCO-related charges of ₱0.12 per kwh, effective January 2004. However, the SC issued a resolution on January 13, 2004, in response to petitions filed by various parties seeking the revocation of the November 23, 2003 provisional increase, for the ERC and MERALCO to observe the status quo prevailing before the filing of the petition. The status quo order remains until lifted by the SC.

Comprehensive Liability Management Plan (CLMP)

On December 24, 2002, MERALCO created a special committee to oversee the formulation and execution of a sustained viability plan and program under the CLMP. MERALCO has short-term and long-term debts due in 2004 totaling ₱12,954 million. MERALCO has identified various options and formulated plans for the refinancing of its debts maturing in 2004. MERALCO obtained the agreement of its short-term lenders to further extend the payment of short-term loans due in March 2004 for another 90 days and will consider further extensions until MERALCO can complete its refinancing program in 2004.

Contingent Asset

As a result of the refund ordered by the SC, MERALCO has effectively overpaid income taxes during the periods covered by the refund order. As of year-end, MERALCO has filed its claim for overpaid income taxes estimated at ₱7,119 million with the Bureau of Internal Revenue (BIR). The BIR has already issued Letters of Authority for the examination of MERALCO's books for the said periods.

MERALCO accounts for its utility plant at revalued amounts. Appropriate adjustments have been made on the financial statements of MERALCO to conform to the cost method followed by the Company in accounting for property and equipment. The adjustment to conform to the cost method increased MERALCO's net income in 2003 by P704 million and decreased total assets by P28,900 million in 2003.

7. 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>	June 30	
	2004	2003
(a) Net income (loss)	(P191)	P43
Interest on convertible bonds and amortization of bond issue cost	1	1
(b) Net income (loss) – diluted	(P190)	P44
 <u>Shares</u>		
(c) Weighted average number of common shares - basic	4,581,544,408	4,581,544,408
Conversion of bonds	3,421,410	3,421,410
(d) Adjusted weighted average common shares - diluted	4,584,965,818	4,584,965,818
 <u>Per Share Amounts</u>		
Basic (a/c)	P0.0417	P0.0093
Diluted (b/d)	0.0417	0.0095

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

8. 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

	June 30 2004		June 30 2003		June 30 2004		June 30 2003		June 30 2004		June 30 2003	
Revenues	708	735	2,550	2,700	1	193	533	525	3,792	4,153		
Segment assets	16,535	15,365	18,037	17,206	25	23	(3,862)	(1,947)	30,735	30,647		
Investment in equity method	13,345	13,531	-	-	18	19	-	(459)	13,363	13,091		
Consolidated total assets	29,880	28,896	18,037	17,206	43	42	(3,862)	(2,406)	44,098	43,738		
Segment liabilities	16,463	15,378	12,640	10,976	26	23	(3,907)	(3,162)	25,222	23,215		

PRO FORMA

	Investment Holdings		Water distribution		Services		Broadcasting		Eliminations		Consolidated	
	June 30 2004	Dec. 31 2003	June 30 2004	Dec. 31 2003	June 30 2004	Dec. 31 2003	June 30 2004	Dec. 31 2003	June 30 2004	Dec. 31 2003	June 30 2004	Dec. 31 2003
Segment assets	16,535	15,365	18,037	17,206	25	23	24,317	23,009	(11,503)	(10,576)	47,411	45,027
Investment in equity method	13,345	13,531	-	-	18	19	221	2,540	(288)	(2,640)	13,296	13,450
Consolidated total assets	29,880	28,896	18,037	17,206	43	42	24,538	25,549	(11,791)	(13,216)	60,707	58,477
Segment liabilities	16,463	15,378	12,640	10,976	26	23	4,701	5,041	(3,901)	(3,162)	29,929	28,256

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 13, 2004
Date

JORGE A. LICHAUCO
Chief Financial Officer

August 13, 2004
Date

BENPRES HOLDINGS CORPORATION
AGING OF ACCOUNTS RECEIVABLES
AS OF JUNE 30, 2004
(Amounts in Thousands)

TYPE OF ACCOUNTS RECEIVABLES	TOTAL	NOT YET DUE	CURRENT	30 DAYS	60 DAYS	90 DAYS	120-360 DAYS	OVER 360
<u>I. TRADE RECEIVABLES</u>								
Trade	5,590,903	1,543,083	576,385	366,468	297,060	1,035,836	854,322	917,749
Allowance	1,328,210							
Net A/R	<u>4,262,694</u>							
<u>II. NON - TRADE RECEIVABLES</u>								
Accrued interest	7,337							
Advances to suppliers	129,588							
Advances to talents	81,936							
Advances against claims - sss	6,030							
Others	395,653							
	<u>620,544</u>							
	4,883,238							

ACCOUNTS RECEIVABLE DESCRIPTION

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

NORMAL OPERATING CYCLE - calendar year