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)

631-3111

(Telephone Number)

December 31

(Fiscal Year Ending)
(month & day)

Form 17 - Q

Form Type

Amendment Designation (If applicable)

June 30, 2003

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, 2003**
   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**
   Place of incorporation

6. ____________________
   Industry Classification Code

7. **4th Floor Benpres Building, Exchange Road cor. Meralco Ave. Pasig City**
   Address of principal office

8. **631-3111**
   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
Common Shares	**4,581,544,408 shares**
Long Term Commercial Papers	**P2,000,000,000.00**

11. Are any or all of the securities listed on the Philippine Stock Exchange:
    Yes [**X**]   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 [**X**]   No [ ]

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

    Yes [**X**]   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 revenues of ₱4.153 billion in the first six months of 2003 compared to ₱838 million in the same period last year. Net sales and services grew 13x to ₱2.780 billion as this is the first time in which Maynilad Water Services, Inc. (Maynilad Water)is reporting as operating company. The Maynilad Water account was pre-operating in prior periods. The similar increases in general and administrative expenses (7x to ₱1.325 billion) and costs of sales and services (17x to ₱2.076 billion) are also the result of this operation. Net income for the period stood at ₱43 million versus a net loss of ₱80 million in the first six months of 2002.

Benpres's core investments ABS-CBN Broadcasting Corporation (ABS-CBN) and First Philippine Holdings Corporation (First Holdings) remained strong during the period. Consolidated gross revenues of ABS-CBN grew 21% to ₱5.286 billion, while EBITDA increased 49% year-on-year (YoY) to ₱2.196 billion. Net income rebounded YoY to ₱507 million from a restated loss of ₱100 million the previous year. First Holdings booked profits of ₱1.9 billion for the first semester, 91% higher than the previous year. Revenues increased 75% to ₱18.2 billion YoY, on the back of creditable contributions from its power generating assets. Also, in June, FPHC subsidiary First Generation Holdings Corporation sold its ownership in Panay Power Corporation, resulting in a ₱406.4 million-gain on sale of investment.

On August 12, 2003, Bayan Telecommunications, Inc. (BayanTel) received a copy of an order from the Regional Trial Court of Pasig City, Branch 158 regarding a petition for the corporate rehabilitation. The Court Order, among other matters, stayed enforcement of all claims and actions against BayanTel. BayanTel's rehab plan process has no impact on Benpres's own debt restructuring. Benpres has assumed no cash dividend coming from BayanTel in its Balance Sheet Management Plan.

On August 9, 2003, arbitration proceedings of Maynilad Water began to resolve issues surrounding Metro Manila's West Zone Concession. Under the Concession Agreement, Maynilad Water is entitled to an Early Termination Amount for returning the Concession on February 7, 2003.

Financial Condition

There were adjustments made to retained earnings to comply with changes in the accounting of intangible assets (SFAS 38/IAS 38). The adjustments amounted to ₱4.130 billion. Of this amount, ₱2.636 billion were attributable to preoperating expenses in prior periods for Maynilad. In addition, Benpres booked its share in Meralco's contingent losses resulting from a Supreme Court refund order at ₱2.445 billion.

As a result of these adjustments, stockholders' equity at the end of the period stood at ₱4.003 billion, 73% below the ₱14.967 billion recorded at the end of June 2002.

PART II – OTHER INFORMATION

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

BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Millions, Except Par Value and Number of Shares)

	June 30 2003 (Unaudited)	December 31, 2002 (Audited)	**June 30 2003 (Unaudited)**	December 31, 2002 (Audited)
	Historical		Pro forma	
ASSETS				
Current Assets				
Cash and cash equivalents	**₱1,605**	₱1,859	**₱2,847**	₱2,574
Marketable equity securities - net	**390**	318	**390**	318
Receivable - net	**550**	803	**4,652**	4,451
Program rights - net	**–**	–	**1,837**	1,904
Other current assets - net	**640**	713	**1,150**	1,237
Total Current Assets	**3,185**	3,693	**10,876**	10,484
Noncurrent Assets				
Investments and advances - net	**19,698**	21,211	**12,004**	14,135
Property and equipment - net	**4,084**	3,980	**15,118**	15,580
Due from affiliated companies	**10**	11	**242**	191
Other noncurrent assets - net	**13,640**	19,595	**16,621**	23,477
	37,432	44,797	**43,985**	53,383
	₱40,617	₱48,490	**₱54,861**	₱63,867
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Bank loans (Note 4)	**₱7,117**	₱7,889	**₱7,545**	₱8,314
Accounts payable and other accrued liabilities	**9,059**	7,924	**12,400**	10,972
Current portion of long-term debt (Note 5)	**10,035**	9,988	**11,788**	10,473
Current portion of estimated liabilities from guarantee and commitments	**8,553**	8,557	**8,553**	8,557
Total Current Liabilities	**34,764**	34,358	**40,286**	38,316
Noncurrent Liabilities				
Long-term debt - net of current portion (Note 5)	**24**	12	**4,109**	5,405
Other noncurrent liabilities	**1,777**	1,450	**2,109**	1,953
Minority interest	**49**	2,135	**4,354**	7,658
Total Noncurrent Liabilities	**1,850**	3,597	**10,572**	15,016
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
Equity adjustment from translation	**55**	55	**55**	55
Deficit	**(7,399)**	(867)	**(7,399)**	(867)
Total Stockholders' Equity	**4,003**	10,535	**4,003**	10,535
	₱40,617	₱48,490	**₱54,861**	₱63,867

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			
	2003	2002	**2003**	2002
	Historical		Pro forma	
REVENUES				
Net sales and services	**₱2,780**	₱198	**₱4,439**	₱1,570
Equity in net earnings of investees	**925**	502	**846**	466
Accretion of earnings on Notes	**156**	–	**–**	–
Interest on Notes	**67**	67	**–**	–
Airtime - net	**–**	–	**4,368**	3,330
Others	**225**	71	**260**	311
	4,153	838	**9,913**	5,677
COSTS AND EXPENSES				
Costs of sales and services	**2,076**	116	**2,957**	690
General and administrative	**1,325**	162	**2,681**	1,725
Depreciation and amortization	**79**	152	**736**	909
Accretion of losses on Notes	**–**	68	**–**	–
Production costs	**–**	–	**1,596**	1,042
Amortization of program rights	**–**	–	**421**	284
Interest and others - net	**1,002**	419	**1,310**	785
	4,482	917	**9,701**	5,435
INCOME (LOSS)BEFORE INCOME TAX AND MINORITY INTEREST	**(329)**	(79)	**212**	242
PROVISION FOR INCOME TAX	**–**	(7)	**(329)**	(164)
INCOME (LOSS) BEFORE MINORITY INTEREST	**(329)**	(86)	**(117)**	78
MINORITY INTEREST	**372**	6	**160**	(158)
NET INCOME (LOSS)	**₱43**	(₱80)	**₱43**	(₱80)
Earnings Per Share (Note 7)				
Basic	**₱0.0093**	(₱0.0175)	**₱0.0093**	(₱0.0175)
Diluted	**0.0095**	–	**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			
	2003	2002	**2003**	2002
	Historical		Pro forma	
REVENUES				
Equity in net earnings of investees	**₱583**	₱312	**₱555**	₱280
Net sales and services	**2,686**	95	**3,610**	780
Interest on Notes	**34**	44	**–**	–
Accretion of earnings on Notes	**167**	–	**–**	–
Airtime - net	**–**	–	**2,508**	1,955
Others	**132**	–	**127**	–
	3,602	451	**6,800**	3,015
COSTS AND EXPENSES				
General and administrative	**1,232**	84	**1,814**	924
Costs of sales and services	**2,052**	60	**2,561**	325
Depreciation and amortization	**33**	50	**365**	468
Accretion of losses on Notes	**–**	40	**–**	–
Equity in net losses of investees	**–**	–	**–**	–
Production costs	**–**	–	**953**	578
Amortization of program rights	**–**	–	**256**	166
Interest and others - net	**742**	299	**902**	347
	4,059	533	**6,851**	2,808
INCOME (LOSS) BEFORE INCOME TAX AND MINORITY INTEREST	**(457)**	(82)	**(51)**	207
PROVISION FOR INCOME TAX	**–**	(3)	**254**	(126)
INCOME (LOSS) BEFORE MINORITY INTEREST	**(457)**	(85)	**(305)**	81
MINORITY INTEREST	**367**	(3)	**215**	(163)
NET LOSS	**(₱90)**	(₱82)	**(₱90)**	(₱82)

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)

	June 30	
	2003	2002
CAPITAL STOCK - ₱1 par value		
Authorized - 5,500,000,000 shares		
Issued - 4,581,544,408 shares	**₱4,581**	₱4,581
CAPITAL PAID IN EXCESS OF PAR VALUE	**6,766**	6,766
SHARE IN REVALUATION INCREMENT OF AFFILIATES' PROPERTIES	**–**	3,340
EQUITY ADJUSTMENT FROM TRANSLATION	**55**	49
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of period, as previously reported	**(867)**	311
Change in accounting for intangible assets	**(4,130)**	–
Prior period adjustment - Share in Meralco's contingent losses for refund (Note 6)	**(2,445)**	–
Balance at beginning of period, as restated	**(7,442)**	311
Net income	**43**	(80)
Balance at end of period	**(7,399)**	231
	₱4,003	₱14,967

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			
	2003	2002	**2003**	2002
	Historical		Pro forma	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	**₱43**	(₱80)	**₱43**	(₱80)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Equity in net earnings of investees	**(925)**	(502)	**(846)**	(446)
Depreciation and amortization	**79**	152	**1,157**	1,193
Accretion of earnings	**(156)**	68	**–**	–
Interest on Notes	**(67)**	(67)	**–**	–
Minority interest	**(372)**	(6)	**(160)**	(158)
Others	**52**	(140)	**52**	(140)
Changes in assets and liabilities:				
Decrease (increase) in current assets	**326**	93	**(468)**	(621)
Increase in current liabilities	**1,135**	827	**1,428**	1,254
Net cash provided by operating activities	**115**	345	**1,206**	1,002
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase (decrease) in:				
Investments and advances	**(3,928)**	119	**(3,664)**	171
Property and equipment and other assets	**1,235**	(63)	**2,045**	(246)
Net cash provided by (used) in investing activities	**(2,693)**	56	**(1,619)**	(75)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of loans and long term debt	**(757)**	(260)	**(794)**	(761)
Increase (decrease) in:				
Other noncurrent liabilities	**327**	(30)	**156**	119
Minority interest	**2,754**	(16)	**1,324**	(53)
Net cash provided by (used in) financing activities	**2,324**	(306)	**686**	(695)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(254)**	95	**273**	232
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,859**	629	**2,574**	962
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱1,605**	₱724	**₱2,847**	₱1,194

See accompanying Notes to Consolidated Financial Statements.

BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Amounts in Millions)

	Second Quarter Ended June 30			
	2002	2001	**2002**	2001
	Historical		Pro forma	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	**(₱90)**	(₱82)	**(₱90)**	(₱82)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Equity in net losses of investees	**(583)**	(312)	**(555)**	(260)
Depreciation and amortization	**33**	50	**621**	752
Interest on Notes	**(167)**	(44)	**–**	–
Accretion of earnings	**(34)**	40	**–**	–
Minority interest	**(367)**	(3)	**(215)**	(153)
Others	**71**	(73)	**71**	(73)
Changes in assets and liabilities:				
Decrease (increase) in current assets	**189**	173	**(475)**	(288)
Decrease in current liabilities and others	**907**	545	**931**	305
Net cash provided by (used in) operating activities	**(41)**	294	**288**	201
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase (decrease)in:				
Investments and advances	**(3,334)**	1	**(3,222)**	71
Property and equipment and other assets	**299**	(513)	**146**	(702)
Cash used in investing activities	**(3,035)**	(512)	**(3,076)**	(631)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in:				
Bank loans and long term debt	**(252)**	17	**(271)**	16
Due to affiliates and other noncurrent liabilities	**552**	82	**445**	225
Minority interest	**2,672**	69	**2,664**	260
Net cash provided by financing activities	**2,972**	168	**2,838**	501
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(104)**	(50)	**50**	71
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,709**	774	**2,797**	1,123
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱1,605**	₱724	**₱2,847**	₱1,194

See accompanying Notes to Consolidated Financial Statements.

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 58.21% 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.

b. Balance Sheet Management Plan (Plan)

In June 2002, the Parent Company announced the Plan to address all its financial obligations. The execution of the plan 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 Plan 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 2002 amounted to about ₱7,988 million while those that will fall due in 2003 amount to about ₱2 billion (see Note 5). In addition, by virtue of its guarantee and commitments, the Parent Company may be liable for certain obligations that fell and will fall due in 2002 and 2003 amounting to approximately US$393 million as of December 31, 2002 and US$412 million as of December 31, 2001. As of April 25, 2003, guarantees with respect to First Philippine Infrastructure Development Corporation (FPIDC) and Manila North Tollways Corporation (MNTC) have been removed and obligations of Maynilad Water Services, Inc. (Maynilad Water) have been reduced.

In 2002, the Parent Company defaulted on its principal and interest payments on its long-term direct obligations and guarantees and commitments. Credit Suisse First Boston has been appointed as financial adviser to assist the Parent Company in reviewing its capital structure as well as in preparing a Plan that will enable it to address its maturing direct obligations as well as contingent obligations that may arise from its guarantees and commitments. To date, negotiations with creditors are on going.

As proposed in the Plan, 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.

On March 13, 2003, the Parent Company convened a Special Stockholders' Meeting to obtain stockholders' consent to delegate to the Board of Directors the authority to take all actions and matters necessary and desirable for the restructuring of the Parent Company's obligations under the Plan. The stockholders granted full authority to the Board 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

In April 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 (Sky Vision) to Lopez, Inc. (Lopez), a majority stockholder. On March 16, 1998, the National Telecommunications Commission (NTC) authorized the transfer of the ABS-CBN and Sky Vision shares and on April 21, 1998, the transfer was approved by the creditors of the Parent Company for the release of the ABS-CBN and Sky Vision shares from the negative pledge covenants included in the terms of outstanding long-term commercial papers (LTCPs).

In April 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 and 162,463,400 shares of Sky Vision at its book value of ₱2.75 per share equivalent to ₱447 in exchange for cash of ₱75 and Convertible and Nonconvertible Notes ("Notes") of ₱9,504 (Convertible Notes of ₱5,504 and Nonconvertible Notes of ₱4,000). The excess of the market value of ABS-CBN shares against its carrying value, amounting to ₱4,310, is credited to "Deferred income" and 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 Sky Vision shares. After the transfer, Lopez had 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 Sky Vision ("Conversion Quantity") at a conversion price of ₱5,504 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 at 1.5%, subject to adjustments as agreed by both parties.

As of March 31, 2003 and December 31, 2002, the carrying value of the Notes amounted to ₱8,238 and ₱8,015, respectively. The underlying shares totaled 446,800,022 of ABS-CBN [including 568,415 Philippine Deposit Receipts (PDRs)] and 162,463,400 Sky Vision 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 Sky Vision 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 Sky Vision.

3. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the Philippines, except for non-provisioning for impairment losses on the Company's investments in Sky Vision pending the outcome of the debt restructuring of Sky Vision and its subsidiaries and the ongoing consolidation in the cable industry.

Changes in Accounting Policies

The following changes in accounting policies have been introduced in accordance with the provisions of the respective Statement of Financial Accounting Standards (SFAS)/International Accounting Standards (IAS) which became effective in 2002:

- SFAS 27/IAS 27, "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" and SFAS 28/IAS 28, "Accounting for Investments in Associates," which require consolidated financial statements to be prepared using uniform accounting policies for like transactions and other events in similar circumstances.

  Following the introduction of SFAS 27/IAS 27 and SFAS 28/IAS 28, the Company's subsidiaries and associates adopted the following changes in accounting policies to align with the accounting policies of the Company:

  - SFAS 16/IAS 16, "Property, Plant and Equipment". As permitted by the standard, the Company reverted to the cost basis of accounting for property, plant and equipment. Previously, certain items of property, plant and equipment of certain associates were carried at revalued amounts. The effect of the change was reflected retroactively in prior year consolidated financial statements and resulted in a decrease in consolidated assets and stockholders' equity.

  - SFAS 8A, "Deferred Foreign Exchange Differences," and SFAS 21/IAS 21, "Changes in Foreign Exchange Rates." The Company opted for the early adoption of SFAS 8A and SFAS 21/IAS 21 in 2001 (then EDs 37 and 51). To align with the Parent Company's accounting policy, certain associates prepared financial statements on the basis of early adoption of SFAS 8A and SFAS 21/IAS 21.

    SFAS 8A eliminates the deferral of foreign exchange differences. SFAS 21/IAS 21 provides restrictive conditions for the capitalization of foreign exchange losses. The effect of the change was reflected retroactively in prior year consolidated financial statements.

- SFAS 36/IAS 36, "Impairment of Assets."

Adoption of SFAS 24/IAS 24, "Related Party Disclosures" in 2002 did not result in restatements of prior year consolidated financial statements. Additional disclosures required by the new standards, however, were included in prior year consolidated financial statements, where applicable.

New Accounting Standards Effective Subsequent to 2002

The Accounting Standards Council has approved the following accounting standards which will be effective subsequent to 2002:

- SFAS 38/IAS 38, "Intangible Assets," which establishes the criteria for the recognition and measurement of intangible assets. Intangible assets that are recognized should be amortized generally over 20 years. The new standard also requires that expenditures on research, start-up, training, advertising and relocation be expensed as incurred.

- SFAS 37/IAS 37, "Provisions, Contingent Liabilities and Contingent Assets," which provides the criteria for the recognition and bases for measurement of provisions, contingent liabilities and contingent assets. It also specifies the disclosures that should be included with respect to these items.

- SFAS 10/IAS 10, "Events After the Balance Sheet Date," which prescribes the accounting policies and disclosures related to adjusting and non-adjusting subsequent events.

- SFAS 17/IAS 17, “Leases,” which prescribes the accounting policies and disclosures to apply to finance and operating leases. Finance leases are those that transfer substantially all risks and rewards of ownership to the lessee. A lessee is required to capitalize finance leases as assets and recognize the related liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The lessee should also depreciate the leased asset. On the other hand, lessees should expense operating lease payments.

  The Company will adopt these new standards on their respective effective dates and based on current circumstances (except for SFAS 38/IAS 38), does not believe the effect of adoption will be material.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

		Effective Percentage of Ownership			
		Historical		Pro forma	
	Principal Activities	**2003**	2002	**2003**	2002
Customer Contact Center, Inc.	Call center	**100.00**	100.00	**100.00**	100.00
Maynilad Water	Water distribution	**59.00**	59.00	**59.00**	59.00
Bayanmap Corporation	Information service provider	**51.00**	51.00	**51.00**	51.00
ABS-CBN and Subsidiaries (see Note 2)	Broadcasting	–	–	**58.06**	58.06

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

Impairment of Assets
Starting January 1, 2002, the carrying values of the assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of the assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are recognized in the consolidated statements of income. In the case of Maynilad Water, impairment losses will be charged to development costs. Due to the uncertainties involving Maynilad Water, impairment losses related to the Parent Company’s investment in Maynilad Water are not determinable. Pending the outcome of certain events, the Parent Company has not provided for impairment losses on its investments and deposits in Sky Vision.

Concession Assets
Concession assets of Maynilad Water included in “Other noncurrent assets” account in the consolidated balance sheets, represent the concession and commencement fees paid in obtaining the exclusive right to supply water and sewerage services to the West Service Area. Concession fee payments denominated in foreign currencies are translated to Philippine peso using the bid rate. The excess of actual concession fee payments over the amount of concession fees translated using the bid rate is deferred as part of “Deferred FCDA.” This will be recovered

through billings to customers as approved by the MWSS BOT. Upon commencement of commercial operations, concession fee payments, on the basis of the total nominal value of estimated concession fee payments, and commencement fees will be amortized using a method similar to the unit of production method over the estimated billable water volume for the remaining term of the Concession.

Development Costs
Development costs of Maynilad Water, included in "Other noncurrent assets" account in the consolidated balance sheets, include: (a) capitalized losses during the rehabilitation phase, which are being deferred until such time that full operational capacity is attained net of revenue from water and sewer services; and (b) costs incurred directly associated with the bidding process. These will be amortized using a method similar to the unit of production method over the estimated billable water volume for the remaining term of the Concession. (see "New Accounting Standards Subsequent to 2002").

Deferred Charges
Deferred charges consist of costs incurred related to the debt issuance, loan negotiations and the development of accounting and information systems. Debt issue cost (shown as part of "Other noncurrent assets" account in the consolidated balance sheets) is amortized over the term of the related loans and bonds using the effective interest rate method. Upon conversion of the bonds, the related unamortized debt issue cost is charged to operations. The development costs of the accounting and information systems of Maynilad Water will be amortized over the term of the loans and estimated useful life of the new systems upon completion of the rehabilitation works, respectively.

Preoperating Expenses
All costs and expenses incurred by other subsidiaries since incorporation and prior to the start of commercial operations, reduced by incidental revenues, (shown as part of "Other noncurrent assets" account in the consolidated balance sheets) are deferred and amortized over five years from the start of commercial operations (see "New Accounting Standards Subsequent to 2002").

Provisions
Provisions for loss contingencies are accrued when it is probable that a liability had been incurred at balance sheet date and the amount can be reasonably estimated. Otherwise, the loss contingency is disclosed.

Foreign Currency Transactions
Foreign currency transactions are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of the transaction. Exchange rate differences arising from the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized in the consolidated statements of income in the year in which they arise.

Prior to 2001, exchange gains or losses arising from restatement of long-term borrowings were deferred or capitalized as part of investment cost (for investments accounted for under the equity method) to the extent they were considered adjustments to interest cost (see Borrowing Costs). Deferred foreign exchange adjustments were amortized over the term of the loans while capitalized foreign exchange adjustments were amortized over the estimated useful lives of the investees' qualifying assets.

Starting 2001, the Parent Company adopted SFAS 21/IAS 21 and SFAS 8A on a retroactive basis. Thus, except for foreign exchange adjustments that will qualify under the restrictive conditions of SFAS 21/IAS 21 and SFAS 25, "Borrowing Costs," all foreign exchange adjustments are charged directly to current operations.

In the case of Maynilad Water, foreign exchange differentials arising from foreign currency transactions are credited or charged to development costs, except for the following foreign exchange differentials, which are deferred (shown as "Deferred FCDA") and will be recovered through billings to customers as approved by the MWSS BOT:

- Restatement of foreign currency denominated loans;
- Excess of actual concession fee payments over the amounts of concession fees translated using the original bid rate; and
- Excess of actual interest payments translated at exchange spot rates on settlement dates over the amounts of interest translated at drawdown rates.

The management of Maynilad Water believes that the adoption of SFAS 21/IAS 21 and SFAS 8A will not have a material effect on its financial position, results of operations and cash flows since the MWSS BOT has allowed the recovery of the foreign exchange differentials through billings to customers. The recovery, however, will still depend on the outcome of the uncertainties discussed in Note 1.

Business Segments
For management purposes, the Company is organized into 2 major operating businesses, namely, investment holdings and water distribution. The Company's remaining activities, which consist of customer contact service and information service provider are shown in aggregate as services. Financial information on business segments is presented in Note 8.

For purposes of pro forma information, ABS-CBN is considered as another operating business. The main business of ABS-CBN is broadcasting and entertainment. Other business activities of ABS-CBN include cable and satellite, consumer products and services. Financial information on ABS-CBN's business and geographical segments is presented in Note 8.

4. Bank Loans

	Historical		Pro Forma	
	June 30 2003	Dec. 31 2002	**June 30 2003**	Dec. 31 2002
Peso loans	**₱1,649**	₱1,799	**₱1,885**	₱2,034
Dollar loans	**5,468**	6,090	**5,660**	6,280
	₱7,117	₱7,889	**₱7,545**	₱8,314

In the historical consolidated financial statements, peso and dollar loans mainly represent loans of Maynilad Water, with annual interest rates ranging from 11.0% to 17.2% for peso-denominated loans and from 2.4% to 4.9% for dollar-denominated loans. Maynilad Water obtained these bank loans as a bridge financing while negotiating for a long-term loan of US$350. these loans are guaranteed by Maynilad Water's stockholders either alone or together (but on a several basis).

On February 28, 2002, Maynilad Water, together with the Parent Company and the other shareholder of Maynilad Water as guarantors, entered into a third amendment agreement (Amendment Agreement) relating to the US$100 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, still 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 2 business days prior written notice as defined in the Third Amendment Agreement.

In the pro forma consolidated financial statements, average annual interest rates of ABS-CBN loans are 15.15% for peso loans and 5.4% for dollar loans.

On September 17, 2002, Maynilad Water, together with the Parent Company and the other shareholder of Maynilad Water 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.

Maynilad Water was not able to fully pay these loans which were originally due on December 31, 2002. Maynilad Water made partial payments totaling US$8 million subsequent to December 31, 2002 and was given several extensions by creditors. As of April 25, 2003, Maynilad Water is still negotiating for further extension.

In the pro forma consolidated financial statements, average annual interest rates of ABS-CBN loans are 11.42% for peso loans and 5.0% for dollar loans.

On September 16, 2002, about ₱3,437.7 million of ABS-CBN bank loans were converted to a long-term loan in relation to the Exchangeable Notes Facility Agreement signed by ABS-CBN.

On September 2, 2002, ABS-CBN received a notice of default dated August 30, 2002 from Standard Chartered Bank and BNP Paribas for its outstanding loan balance amounting to ₱100.0 million and ₱190.9 million (US$3.6 million), respectively. As of April 25, 2003, ABS-CBN is still negotiating with other banks for possible restructuring of the above loans.

5. Long-Term Debt

Type/Creditor	Interest rates	Maturity date	Historical	Pro Forma
Parent Company				
7.875% Notes	7.875%	December 19, 2002	8,028	8,028
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
			10,040	10,040
C-Cubed				
Payable to financial institutions			19	19
ABS-CBN				
Exchangeable Notes	Various	November 29, 2005	-	3,438
Syndicated loans to a local bank	-do-	March 19, 2004	-	1,900
Payable to a local bank	-do-	March 19, 2004	-	500
			-	5,838
Total			10,059	15,897
Less current portion			10,035	11,788
Net of current portion			24	4,109

6. Manila Electric Company (MERALCO)

MERALCO is a 17%-owned (20.64% in 2001) associate of FPHC.

MERALCO is involved in the distribution of electricity covering 114 franchise areas in the Luzon region. Prior to the enactment of RA No. 9136, the “Electric Power Industry Reform Act of 2001,” MERALCO is subject to regulation by the Energy Regulatory Board (ERB) and gives recognition to the ratemaking policies of ERB. RA No. 9136 abolished the ERB and created in its place, the Energy Regulatory Commission (ERC).

On February 16, 1998, the then ERB, in ERB Case No. 93-118, rendered a decision ordering MERALCO to refund its customers ₱0.167 per kilowatt-hour starting with MERALCO’s billing cycles beginning February 1994 until its billing cycles beginning February 1998, or correspondingly credit the same, in favor of the customers, against their future consumption. The then ERB’s decision superseded and modified the provisional relief of ₱0.184 per kilowatt-hour that the then ERB granted to MERALCO on January 28, 1994.

The then ERB claimed that MERALCO had exceeded the maximum allowable rate of return on rate base (RORB) of 12%. In computing for MERALCO’s RORB, the then ERB disallowed, among others, income tax as a part of the operating expenses and computed for the rate base using a method opposed to the average method as practiced by MERALCO.

MERALCO questioned the then ERB’s decision through a Petition for Review before the Court of Appeals (CA). On February 26, 1999, the CA rendered a decision setting aside the aforementioned then ERB decision insofar as it directed MERALCO to reduce its rates and effect a refund to its customers. The CA likewise denied a motion for reconsideration filed by the then ERB.

On February 21, 2000, MERALCO received a copy of a petition filed with the Supreme Court (SC) by the Republic of the Philippines represented by the then ERB questioning the aforesaid decision of the CA. A similar petition filed by the Lawyers Against Monopoly and Poverty (LAMP) was received by MERALCO on March 22, 2000. Comments on the said petitions were filed by MERALCO on May 24, 2000 and October 30, 2000, respectively.

On January 30, 2001, MERALCO received Replies to Comment from both petitioners.

On November 15, 2002, the Third Division of the SC rendered a decision reversing the CA decision; correlatively, the SC decision affirmed the then ERB’s directive that MERALCO refund its customers ₱0.167 per kilowatt-hour starting with MERALCO’s billing cycles beginning February 1994 or correspondingly credit the same against future consumption. The SC sustained the then ERB’s disallowance of income tax as an operating expense and the method of computing the rate base, which resulted in MERALCO exceeding the maximum allowed RORB of 12%.

On December 5, 2002, MERALCO filed a Motion for Reconsideration with the SC. The motion is based mainly on the following grounds:

1) The disallowance of income tax is contrary to jurisprudence, particularly to the decision in the Galveston and subsequent cases, which became part of our laws and jurisprudence when the Philippines adopted the Public Service Act from American public utility laws; it likewise runs counter to earlier decisions of the then ERB itself;

2) The decision modifies SC decisions recognizing 12% as the reasonable RORB a utility company is entitled to. If income tax is disallowed for rate-making, then the RORB is reduced to about 8%; and

3) The decision disregards the method of computing the rate base which had been previously affirmed by the SC itself; and

4) Even the successor of the then ERB, the ERC, adheres to the principle that income tax is part of operating expenses as set forth in the Uniform Filing Requirements (UFR), which embody

the detailed guidelines to be followed with respect to the rate unbundling applications filed in December 2001.

MERALCO received on December 27, 2002 a copy of a “Motion for Admission of Study on Income Tax as Operating Expenses in Determining the Rate of Return on Rate Base of Public Utilities,” with the Study attached, which Atty. Antonio M. Meer, a former practitioner in the field of Public Service Law, filed with the SC. The Study, together with a sequel thereof, which was likewise filed with the SC, confirmed the position of MERALCO that income tax should be considered as an operating expense for rate computation.

On January 27, 2003, MERALCO filed with the SC a motion seeking the referral of the case to the SC en banc. The motion was denied by the SC in a resolution which MERALCO received on March 17, 2003. MERALCO filed a Motion for Reconsideration of this resolution on April 1, 2003.

The ERC and the LAMP were required to comment on the Motion for Reconsideration. MERALCO received a copy of the LAMP Comment on March 3, 2003.

On the other hand, the Office of the Solicitor General (OSG) filed with the SC on March 7, 2003 a comment on the aforesaid Motion for Reconsideration. The OSG incorporated in the said comment a reply prepared by the ERC which reflects a reversal of the position of the then ERB. The ERC submits the view that income taxes, though not operating expenses, are nevertheless reasonable costs that are allowed to be recovered from the rates of a utility company. The ERC further expressed its conformity with MERALCO’s argument that if income tax is not to be recovered, then the 12% RORB found by the SC to be reasonable would have been reduced to about 8%. The OSG nevertheless propounded in the same comment its own views, which essentially are arguments in opposition to the Motion for Reconsideration of MERALCO.

Another important point raised in MERALCO’s Motion for Reconsideration is that the dispositive portion of the SC decision with respect to the amount of refund should, at least be modified. It explains that assuming the rollback of the ₱0.167 over kilowatt-hour is upheld, the amount is applicable only for the period February 1, 1994 to January 31, 1995, as shown by the computation made by the then ERB itself. Yearly, the variables used in the RORB formula changes. Thus, the formula should be applied in accordance with the actual figures each year for said variables, i.e., the revenue and the rate base.

The Motion for Reconsideration was denied by the Third Division of the SC in its resolution dated April 10, 2003. On the basis of the separate opinion rendered by Justice Artemio V. Panganiban, one of the five justices composing the Third Division of the SC, who observed that the case should be heard en banc, with oral arguments, MERALCO filed an urgent Motion for Consideration on April 14, 2003. MERALCO has not provided for the loss resulting from the refund ordered in the SC decision pending the resolution of MERALCO’s urgent Motion for Consideration. As of April 25, 2003, the SC en banc is yet to issue its decision on MERALCO’s Motion for Consideration.

Generally accepted accounting principles require that an estimated loss from a contingency shall be accrued if the loss is probable and can be reasonably estimated. If the amount of refund will be calculated based on a literal interpretation of the SC decision, which simply multiplies the rate of ₱0.167 to the total kilowatt-hour sales from February 1994 to December 31, 2002, the refund would amount to approximately ₱29 billion. Such amount does not take into consideration any tax effects, amounts of which may reduce the impact of the potential loss to MERALCO.

In March 2003, MERALCO provided for contingency losses strictly based on a literal interpretation of the SC decisions. The Company’s share is shown as prior period adjustment and stockholders’ equity in 2003 have decreased by ₱2,445. Such amounts, however, do not take into consideration any tax effects which are not currently determinable.

The future cash flow of MERALCO may be affected, depending on the resolution of MERALCO's urgent Motion for Consideration. In addition, the ability of MERALCO to pay its maturing obligations in 2003 amounting to ₱11.7 billion will be affected.

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.

Net Income	June 30	
	2003	2002
(a) Net income	**₱43**	(₱80)
Interest on convertible bonds and amortization of bond issue cost	**1**	1
(b) Net income – diluted	**₱44**	(₱79)
Shares		
(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
Per Share Amounts		
Basic (a/c)	**₱0.0093**	(₱0.0175)
Diluted (b/d)	**0.0095**	–

In 2002, the effect of the conversion of the Perpetual Convertible Bonds is anti-dilutive.

8. Segment Information

Segment information is prepared on the historical basis -

Business segments: The Company's main businesses are investment holdings and water distribution. The Company's remaining activities include customer contact services and information service provider.

HISTORICAL

	Investment Holdings		Water distribution		Services		Eliminations		Consolidated	
	June 30,		June 30,		June 30,		June 30,		June 30,	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
Revenues	**735**	615	**2,700**	-	**193**	198	**525**	25	**4,153**	838

	Jun 30 2003	Dec. 31 2002	**Jun 30 2003**	Dec. 31 2002	**Jun 30 2003**	Dec. 31 2002	**Jun 30 2003**	Dec. 31 2002	**Jun 30 2003**	Dec. 31 2002
Segment assets	**13,337**	13,942	**16,287**	21,195	**360**	479	**33**	220	**30,017**	35,836
Investment in equity method	**10,674**	16,365	**-**		**22**	22	**(96)**	(3,733)	**10,600**	12,654
Consolidated total assets	**24,011**	30,307	**16,287**	21,195	**382**	501	**(63)**	(3,513)	**40,617**	48,490
Segment liabilities	**20,008**	19,772	**16,338**	15,892	**398**	398	**(22)**	1,893	**36,722**	37,955

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	Date
JORGE A. LICHAUCO	____________________
Chief Finance Officer	Date