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)

March 31, 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. **March 31, 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**
   Place of incorporation

6. ____________________
   Industry Classification Code

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

8. **(02) 910-3040**
   Registrant's telephone number, including area code

9. **Not Applicable**
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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

For the period ended March 31, 2004, unaudited consolidated revenues of Benpres Holdings Corporation (Benpres) increased to P1.865 billion from P562 million in the same period last year, reflecting the consolidation of Maynilad Water Services, Inc. Benpres only began consolidating Maynilad operations in its financial statements in August 2003. Cost and expenses, in particular cost of sales and services (to P978 million from P24 million) and general and administrative expenses (to P462 million from P92 million), increased for the same reason.

Equity in net earnings of investees improved to P550 million from P342 million due to the strong performance of the subsidiaries in power generation [First Philippine Holdings Corporation(FPHC)] and media [ABS-CBN Broadcasting Corporation(ABS-CBN)]. On the other hand, interest and other expenses rose to P729 million from P260 million, inclusive of foreign exchange losses. Benpres recorded losses on the depreciation of the peso from P53.604 per US dollar in 1q03 to P56.216 per US dollar in 1q04.

As a result, Benpres posted a net loss of P142 million the period versus a net income of P133 million in the first three months of 2003.

Subsidiaries and Associates

FPHC continued to perform well given the revenue contributions of First Generation Holdings Corporation (First Gen). Revenues amounted to P9.565 billion for period ended March 31, 2002 versus P8.238 billion to the same period last year. The 16% revenue increase is primarily due to the revenue contribution of FPHC's power generating assets. Net income increased by 47% to P874 million from P597 million, due to gain from sale of investment in shares of stock.

ABS-CBN registered a net income of P124 million in 1q 2004, a 15.4% year-on-year (YoY) hike. Increases in airtime revenues (+7%) and net sales and services (+38%) given the robust performance of ABS-CBN Global contributed to a 15.6% YoY rise in revenues to P3.001 billion from P2.595 billion.

BayanTel continued to gain new landline subscribers as it posted a total of almost 254,000 subscribers by end of the 1st quarter of 2004, compared to about 208,000 during the same period last year. This has been the highest subscriber base for BayanTel since January 2002. Bulk of the growth of subscribers is in Metro Manila, where BayanTel serves the communities of Quezon City, Malabon, Valuenzuela, Manila and Caloocan. Between March 2003 to March 2004, BayanTel subscribers in Metro Manila have grown by 34%.

Beyond Cable Holdings, the entity that consolidates the operations of SKYCable and HomeCable, continues to work out restructuring terms with its creditors. It recently added two new channels, ETC or Entertainment Central and Sports Plus to its programming line-up.

On March 18, 2004, Maynilad and MWSS submitted a compromise plan to the court hearing the rehabilitation petition of Maynilad. The compromise, contained in Amendment No. 2 to the Concession agreement, includes the quasi-reorganization of Maynilad and debt restructuring, to pave the way for a commercially viable and stable water service. The plan ensures the settlement of all outstanding concession fees owed MWSS and the complete write-off of all of Benpres's US$80-million-equity in Maynilad. In addition, the plan calls for a partial draw of US$50 million on Maynilad's US$120-million-performance bond and the restructuring of all its debt. If approved by the court, Benpres will lose management control of Maynilad.

Manila North Tollways Corporation will begin commercial operations of the rehabilitated North Luzon Expressway by the fourth quarter of 2004 or ahead of its 2005 scheduled completion date.

Liability and Capital Resources of Benpres (Parent Company Only) for the period ended March 31, 2004 (unaudited) compared with December 31, 2003 (audited)

As of March 31, 2004, Benpres' total assets amounted to P29.546 billion a slight (+1.7%) increase from P29.047 billion as of yearend 2003. There were no significant changes in liabilities and capital resources. Benpres continues to discuss debt restructuring terms with creditors.

PART II – OTHER INFORMATION

The Company has no other information that needs to be disclosed 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)

	March 31, 2004 (Unaudited)	December 31, 2003 (Audited)	**March 31, 2004 (Unaudited)**	December 31, 2003 (Audited)
	Historical		Pro forma	
ASSETS				
Current Assets				
Cash and cash equivalents	**₱2,443**	₱1,994	**₱3,760**	₱3,575
Marketable equity securities - net	**390**	390	**390**	390
Receivable - net	**664**	695	**4,885**	4,483
Current portion of program rights - net	**–**	–	**990**	881
Materials and supplies	**326**	325	**430**	474
Other current assets - net	**301**	166	**1,085**	579
Total Current Assets	**4,124**	3,570	**11,540**	10,382
Noncurrent Assets				
Investments and advances – net	**22,167**	22,225	**14,711**	14,790
Property and equipment - net	**3,917**	3,967	**14,685**	15,144
Due from affiliated companies	**6**	6	**266**	336
Program rights - net of current portion	**–**	–	**948**	936
Other noncurrent assets - net	**13,897**	13,970	**16,867**	16,889
	39,987	40,168	**47,477**	48,095
	₱44,111	₱43,738	**₱59,017**	₱58,477
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Bank loans (Note 4)	**₱7,070**	₱7,007	**₱7,290**	₱7,228
Payable to MWSS	**7,620**	6,870	**7,620**	6,870
Accounts payable and other current liabilities	**3,849**	3,822	**7,865**	6,645
Current portion of long-term debt (Note 5)	**10,432**	10,338	**12,134**	12,454
Estimated liabilities from guarantees and commitments	**10,358**	10,358	**10,358**	10,358
Total Current Liabilities	**39,329**	38,395	**45,267**	43,555
Noncurrent Liabilities				
Long-term debt - net of current portion (Note 5)	**12**	12	**2,976**	3,466
Other noncurrent liabilities	**2,551**	1,297	**2,946**	1,629
Total Noncurrent Liabilities	**2,563**	1,309	**5,922**	5,095
Minority interest	**(806)**	867	**4,803**	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	**(8,375)**	(8,233)	**(8,375)**	(8,233)
Total Stockholders' Equity	**3,025**	3,167	**3,025**	3,167
	₱44,111	₱43,738	**₱59,017**	₱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)

	Three Months Ended March 31			
	2004	2003	**2004**	2003
	Historical		Pro forma	
REVENUES				
Net sales and services	**₱1,262**	₱94	**2,287**	₱829
Equity in net earnings of investees	**550**	342	**507**	291
Interest on Notes	**33**	33	**–**	–
Accretion of earnings on Notes	**4**	–	**–**	–
Airtime - net	**–**	–	**1,956**	1,860
Others	**16**	93	**43**	133
	1,865	562	**4,793**	3,113
COSTS AND EXPENSES				
Costs of sales and services	**978**	24	**1,461**	396
General and administrative	**462**	93	**1,237**	867
Depreciation and amortization	**19**	46	**299**	371
Accretion of losses on Notes	**–**	11	**–**	–
Production costs	**–**	–	**911**	643
Amortization of program rights	**–**	–	**208**	165
Interest and others - net	**729**	260	**856**	408
	2,188	434	**4,972**	2,850
INCOME (LOSS) BEFORE INCOME TAX AND MINORITY INTEREST	**(323)**	128	**(179)**	263
PROVISION FOR INCOME TAX	**–**	–	**(81)**	(75)
INCOME (LOSS) BEFORE MINORITY INTEREST	**(323)**	128	**(260)**	188
MINORITY INTEREST	**181**	5	**118**	(55)
NET INCOME (LOSS)	**(₱142)**	₱133	**(₱142)**	₱133
Earnings (Loss) Per Share (Note 7)				
Basic	**₱0.0310**	₱0.0290	**₱0.0310**	₱0.0290
Diluted	**0.0310**	0.0292	**0.0310**	0.0292

See accompanying Notes to Consolidated Financial Statements.

BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

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

	Three Months Ended March31	
	2004	2003
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 EQUITY ADJUSTMENT FROM TRANSLATION	**53**	55
DEFICIT		
Balance at beginning of period, as previously reported	**(8,233)**	(867)
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)**	(3,312)
Net income (loss)	**(142)**	133
Balance at end of period	**(8,375)**	(3,179)
	₱3,025	₱8,223

See accompanying Notes to Consolidated Financial Statements.

BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)
(Amounts in Millions)

	Three Months Ended March 31			
	2004	2003	**2004**	2003
	Historical		Pro forma	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	**(₱142)**	₱133	**(₱142)**	₱133
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Equity in net earnings of investees	**(550)**	(342)	**(507)**	(291)
Minority interest	**(181)**	(5)	**(118)**	55
Interest on Notes	**(33)**	(33)	**–**	–
Depreciation and amortization	**19**	46	**507**	536
Accretion of earnings	**(4)**	11	**–**	–
Others	**94**	(19)	**94**	(19)
Changes in assets and liabilities:				
Decrease (increase) in current assets	**(105)**	137	**(1,193)**	7
Increase in current liabilities	**777**	228	**1,970**	497
Net cash provided by operating activities	**(125)**	156	**611**	918
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase (decrease) in:				
Investments and advances	**645**	(594)	**656**	(442)
Property and equipment and other assets	**104**	936	**182**	1,899
Net cash provided by investing activities	**749**	342	**838**	1,457
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in (payment of) loans and long term debt	**63**	(505)	**(842)**	(523)
Increase (decrease) in:				
Other noncurrent liabilities	**1,254**	(225)	**1,317**	(289)
Minority interest	**(1,492)**	82	**(1,739)**	(1,340)
Net cash used in financing activities	**(175)**	(648)	**(1,264)**	(2,152)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**449**	(150)	**185**	223
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,994**	1,859	**3,575**	2,574
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱2,443**	₱1,709	**₱3,760**	₱2,797

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 ₱10,338 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 ₱35,492 million and ₱34,825 million, respectively. Net loss for the period ended March 31, 2004 amounted to ₱142 while net income for the period ended March 31, 2003 ₱133 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 May 12, 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 and December 2003.

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 March 31, 2004 and December 31, 2003, the carrying value of the Notes amounted to ₱7,831 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 than 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.

<u>Basis of Consolidation</u>

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	
	March 31 2004	Dec. 31 2003	**March 31 2004**	Dec. 31 2003
Peso loans	**₱1,427**	₱1,427	**₱1,647**	₱1,648
Dollar loans	**5,643**	5,580	**5,643**	5,580
	₱7,070	₱7,007	**₱7,290**	₱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 (see Note 1).

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.

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 million and ₱191 million (US$3.6 million), respectively. In August 2003, BNP Paribas has agreed to participate in the Exchangeable Note Facility Agreement (ENFA) and accordingly, the loans have been classified as long-term. As of May 12, 2004, ABS-CBN is still negotiating with other banks for possible restructuring of the Standard Chartered Bank loan.

5. Long-Term Debt

Type/Creditor	Interest rates	Maturity date	Historical	Pro Forma
Parent Company				
7.875% Notes	7.875%	December 19, 2002	8,432	8,432
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
			10,444	10,444
ABS-CBN				
Exchangeable Notes	Various	November 29, 2005	-	2,831
Syndicated loans to a local bank	-do-	March 19, 2004	-	1,670
Payable to a local bank	-do-	March 19, 2004	-	165
			-	4,666
Total			10,444	15,110
Less current portion			10,432	12,134
Net of current portion			12	2,976

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
		(Amounts in Millions)		
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 ₱704 million and decreased total assets by ₱28,900 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.

Net Income (loss)	March 31	
	2004	2003
(a) Net income (loss)	**(₱142)**	₱133
Interest on convertible bonds and amortization of bond issue cost	**1**	1
(b) Net income (loss) – diluted	**(₱141)**	₱134
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)	**₱0.0310**	₱0.0290
Diluted (b/d)	**0.0310**	0.0292

The effect of the conversion of the Perpetual Convertible Bonds is anti-dilutive for the period ended March 31, 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

	Investment Holdings		Water distribution		Services		Eliminations		Consolidated	
	March 31,		**March 31,**		**March 31,**		**March 31,**		**March 31,**	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
Revenues	**342**	450	**1,262**	-	**-**	88	**260**	12	**1,864**	550

	March 31 2004	Dec. 31 2003	**March 31 2004**	Dec. 31 2003	**March 31 2004**	Dec. 31 2003	**March 31 2004**	Dec. 31 2003	**March 31 2004**	Dec. 31 2003
Segment assets	**4,187**	4,245	**17,739**	17,207	**24**	23	**(12)**	(112)	**21,938**	21,363
Investment in equity method	**25,360**	24,801	**-**	-	**18**	19	**(2,788)**	(2,444)	**22,590**	22,376
Consolidated total assets	**29,547**	29,046	**17,739**	17,207	**42**	42	**(2,800)**	(2,556)	**44,528**	43,739
Segment liabilities	**26,521**	25,880	**18,946**	17,977	**31**	27	**(3,189)**	(4,180)	**42,309**	39,704

PRO FORMA

	Investment Holdings		Water distribution		Services		Broadcasting		Eliminations		Consolidated	
	March 31 2004	Dec. 31 2003	**March 31 2004**	Dec. 31 2003	**March 31 2004**	Dec. 31 2003	**March 31 2004**	Dec. 31 2003	**March 31 2004**	Dec. 31 2003	**March 31 2004**	Dec. 31 2003
Segment assets	**4,187**	4,245	**17,739**	17,207	**24**	23	**22,363**	21,917	**(12)**	256	**44,289**	43,536
Investment in equity method	**25,360**	24,801	**-**	-	**18**	19	**319**	286	**(7,764)**	(7,721)	**15,145**	14,941
Consolidated total assets	**29,547**	29,046	**17,739**	17,207	**42**	42	**22,682**	**22,203**	**(7,776)**	(7,465)	**59,434**	58,477
Segment liabilities	**26,521**	25,880	**18,946**	17,977	**31**	27	**9,293**	8,943	**4**	3	**51,606**	**48,650**

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 Financial Officer	____________________ Date