



THE PHILIPPINE STOCK EXCHANGE, INC.
ANNUAL REPORT 2002

Our Vision

An efficient, orderly, fair and transparent center for raising capital and trading securities.

A pillar in the Philippine economy for growth, savings mobilization and capital formation.

A peer among the premier stock exchanges in the region.

Our Mission

Maximize value of shareholders with optimal services to all stakeholders.

Practice good governance and promote it in Listed Companies and Trading Participants to sustain Investor's confidence.

Develop world-class trading and settlement infrastructure and information system.

Develop new products and services.

Promote professional and personal growth and employees to better serve Investors, Listed Companies, and Trading Participants.

Our Corporate Values

Professionalism at high standards of competence, completing tasks properly, promptly and consistently.

Efficiency in delivery of services and products through cost effective and responsive processes.

Accountability for actions and decisions with transparency that will stand up to public scrutiny.

Teamwork through cooperation and harmony in working together for a common goal.

Integrity with individual interests subordinated to public good, guided by principles of justice and equity.

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Chairperson's Statement

As with any global organization today, the Philippines Stock Exchange faced a number of challenges during the year. I am proud to say that most of these challenges were addressed confidently by people who continue to serve and remain steadfast in their commitment to the Exchange.

To all the Trading Participants, the shareholders, investors, the Exchange's management and the employees who believe and trust the institution, allow me to share with you the success of the year passed. You all have helped the Philippine Stock Exchange become a stronger, more world-class institution. You have done and sacrificed a lot for the Exchange, and its other stakeholders. And for that, I give you my most sincere gratitude and urge you to keep the faith in the years to come.

Albeit my term as your chairperson is nearing its end and despite the occasional incidents of bickering and personal backstabbing that have only worked to the detriment of the PSE and prevented us from meeting our other objectives, I am pleased to announce that we did fairly well in meeting what my Board planned for the Exchange when we started a year ago.

Allow me to go back to the list of programs that we have successfully initiated and implemented.

We held the very first PSE Asian road show and investors' conference in which the best of the PSE and the national economy was brought to the region's retail and institutional investors. The Investors' Education Program was also simultaneously rolled-out to inform target markets on the benefits of investing in the equities. We tapped students, Overseas Filipino Workers (OFWs), and institutional organizations. We look forward to doing the same for the myriad other local investors that have yet to be tapped.

On the policy side, we successfully launched a change in the Initial Public Offering (IPO) rules, in which we gave a 10 percent discount to all retail investors. We also loosened up the listing rules to encourage more companies to list while making our policies more transparent and straightforward to achieve faster processing time.

Conscious of the financial conditions of trading participants depressed by successive years of weak markets, the Board extended relief measures through the suspension of terminal fees, extension of short-term loans at prime rates collateralized by PSE shares, and provided option for compliance with net capitalization requirement through pledge of unencumbered PSE shares.

Perhaps most important among our legislative agenda is our collaboration with Senator Ralph Recto in developing the Omnibus Tax Bill. Now submitted to the floor for deliberation, the Omnibus Tax Bill, if approved, will exempt the Exchange from paying the documentary stamp tax on secondary trading in equities, derivatives, fixed-income and mutual funds. Getting the DST abolished is expected to boost the performance of the stock market by encouraging more investors in the equities. The Bill will also remove the distortions from the domestic capital market, especially the restrictive provisions on the DST of the National Internal Revenue Code.

The Philippine Stock Exchange is a believer in hiring the best talents available in the market. As a strategic intent to meet the bourse' goals, we hired a Chief Financial Officer, a Chief Technology Officer and a Human Resources practitioner who have the competencies and experience to help us meet our goals. These three key officers have brought along with them the know-how that will improve our areas of finance, information technology and human resources, respectively.

As an organization preparing for the future, the Philippine Stock Exchange continued to look for improvements in the area of Information Technology (IT). To become technologically enabled, we have tied-up with the multilateral Asian Development Bank (ADB) to financially-assist us in improving our surveillance systems. We are also in the final stage of testing our trading and custody systems for eventual T-Bills trading. Moreover, we have a system that allows our listed firms to disclose using the web.

Communication is one of the keys for improving the performance of the PSE and in order to meet our goals, it is imperative that we widen our communication channels to our stakeholders. During my term, we developed the new PSE web site where stakeholders can view real-time update on the Exchange. We have also continued our strategic relationship with the media, both in print and broadcast, to communicate effectively with our audiences.

These are but some of our achievements, but we should not rest. We should continue to work together to achieve more for the Exchange and to move it further forward and surmount the challenges that will inevitably come in our way in the future. There is still a lot of work to be done. Good luck, Godspeed and thank you for your support this past year.

I remain in your service.

Mabuhay!



MA. VIVIAN YUCHENGC0

Board of Directors and Officers



MA, VIVIAN YUCHENGGCO
Chairperson



ERNEST C. LEUNG
President



ENRIQUE M. ABOITIZ, JR.
Director



TOMAS V. APACIBLE
Director



ALICIA RITA M. ARROYO
Director



Fr. JOAQUIN G. BERNAS, S.J.
Director



ROBERT COYILTO, JR.
Director



PETER B. FAVILA
Director



EDDIE T. GOBING
Director



MONICO V. JACOB
Director



FEDERICO C. LIM
Director



HARRY LIU
Director



EUGENIO L. LOPEZ III
Director



EDWIN LUY
Director



CAYETANO W. PADERANGA, JR.
Director



† MARIO D. CAMACHO
Director April 2002.
Replaced by E.M. Aboitiz



FRANCISCO F. VILLAROMAN
Corporate Secretary



RODOLFO V. CRUZ
Treasurer



REYNALDO V. REYES
Assistant Treasurer

ECONOMIC OVERVIEW

The global economy was resilient in 2002 with strongest growth posted by the United States among industrialized countries at 2.4%, followed by United Kingdom at 1.6% and the Euro-zone¹ at 0.8%. China had highest in Asia at 8.0%, with Thailand trailing at 5.2% and Philippines at 4.6%. Expansion in Asia was stimulated by domestic demand and strong exports to industrial and regional economies.

Philippines recorded higher-than-expected performance in 2002 with output exceeding projections in all production sectors in tandem with lowering of inflation and interest rates and a turnaround in exports. Developments in fiscal deficit, exchange rate, peace and order compounded by prospects of war in the Middle East, however, nurtured negative sentiments, gradually taking a toll on the stock market.

Growth in GDP of 4.6% was better than 3.2% in 2001 as GNP expanded 5.2%, higher than past year's 3.4%. GNP gain came mainly from net factor income flows increasing 15.5%, twice more than 7.2% of previous year. This was due to increased remittances from overseas workers significantly greater than last year.

Of major GDP sectors by industrial origin, services posted highest rise of 5.4% with industry at 4.1% and agriculture at 3.5%. Expansion in services came mainly from trade and the transport, communication and storage sub-sectors. In industry, mining and quarrying recorded dramatic improvements at 49.2% reversing decline of last year's 6.6% with pick up in production of natural gas from the Malampaya fields. Agriculture was buoyed up by greater output in forestry compensating for slower increase in agriculture and fishery.

Expenditure bolstered by rise in personal consumption from 3.6% in prior year to 3.9% and in government consumption from 0.3% to 1.8%. These compensated for lag in capital formation depressed by fall in inventory.

Inflation slowed down to 3.1%, almost half of last year at 6.1%. Moderation in prices was widespread from food, to housing, fuel and utilities partly due to deferred adjustments in regulated prices of power and water.

Interest rates dropped across-the-board with 91-day Treasury bill rate averaging 5.4%, half of that of a year ago at 9.9% and with interest on saving deposits down to 4.2% from 7.5%. Policy rates of Bangko Sentral ng Pilipinas on overnight borrowing came down to 7.00% from 7.925% with lending rate to 9.25% from 10.175%.

Total external trade increased 11.1% with export up at 9.1% but slower than imports at 13.3% diminishing prior year trade surplus from US\$2.6 billion to US\$1.6 billion. Manufactured goods accounted for 89.6% of exports with 53.5% electronic components and 20.3% machinery and transport equipment. Imports were evenly distributed with 40.1% capital goods and 39.3% raw materials and intermediate goods.

¹ Euro-zone: Austria, Belgium, France, Finland, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

**Table 1. GDP OF SELECTED COUNTRIES
ANNUAL PERCENT CHANGE**

Countries	2000	2001	2002 ^P
China	8.0	7.3	8.0
Hong Kong	10.2	0.6	2.3
Indonesia	4.8	3.5	3.7
Japan	2.8	0.4	0.3
Malaysia	8.3	0.4	4.2
Philippines	4.5	3.2	4.6
Singapore	9.4	-2.4	2.2
South Korea	9.3	3.0	5.8
Taiwan	5.9	-2.2	3.5
Thailand	4.6	1.9	5.2
United Kingdom	3.1	1.9	1.6
United States	3.8	0.3	2.4

Source from official government web sites; on full year figures except South Korea which is third quarter 2002.
^P preliminary

**Table 2. GNP/GDP PHILIPPINES
ANNUAL PERCENT CHANGE**

	2000	2001	2002
Gross National Product	4.5	3.4	5.2
Gross Domestic Product	4.0	3.2	4.6
Net Factor Income from Abroad	12.7	7.2	15.5
<i>By Industrial Origin</i>			
Agri. Fishery & Forestry	3.3	3.7	3.5
Industry	3.9	1.3	4.1
Service	4.4	4.4	5.4
<i>By Expenditure Shares</i>			
Personal Consumption	3.5	3.6	3.9
Government Consumption	-1.1	0.3	1.8
Capital Formation	2.3	1.3	-0.6
Fixed Capital	0.0	-2.2	2.1
Changes in Stock	-59.8	261.7	-121.2

Source: National Economic and Development Authority Constant Prices

In spite of continuing trade surplus, concerns over government deficit and domestic security problems nudged peso exchange rate down 5%.

Fiscal deficit by yearend at P 212.7 billion breached the P 130 billion target by 63.6% due to shortfall in revenues 9.3% less than planned and expenditures 3.2% higher.

Bombing in Bali together with growing threat of war heightened concerns over internal security. Initiatives were taken to address regional preoccupation with counter-terrorism through compacts with Indonesia and Malaysia on sharing intelligence information and on strengthening border surveillance.

STOCK MARKET PERFORMANCE

Activities in major and regional stock markets were largely down with trading values declining in 8 of 13 exchanges, though better than 12 of previous year. Stock prices dropped in 11 of 13 exchanges more than 9 of prior year. Thailand was the only exchange with 2 successive years of growth both in value turnover and prices.

NYSE had largest value turnover at US\$10,311.2 billion with PSE lowest at US\$ 3.1 billion. Most robust was KSE growing at 55.8% in contrast to most significant decline of 33.7% at NASDAQ.

Price gains were recorded only in 2 exchanges with SET up 17.3% and JSX by 8.4%. Largest decline was Nasdaq down 31.5% followed by LSE at 24.5%. In the region, largest erosions were in TSEC down 19.8%, TSE by 18.3% and SGX less 18.2%.

Table 3. SELECTED ECONOMIC INDICATORS

	2000	2001	2002
Inflation Rate, %	4.4	6.1	3.1
91-day Treasury Bill Rate, %	9.9	9.9	5.4
Savings Deposit Rate, %	7.4	7.5	4.2
P/US\$ Rate			
Average	44.19	50.99	51.60
Yearend	50.00	51.40	53.10
External Trade, Bil \$	69.5	61.7	68.5
% change	5.6	-11.2	11.1
Exports, Bil \$	38.1	32.2	35.1
% change	8.7	-15.6	9.1
Imports, Bil \$	31.4	29.6	33.5
% change	2.1	-5.9	13.3
Deficit, Bil P	134.2	147.0	212.7
Revenues, Bil P	514.8	563.7	566.0
% change	7.6	9.5	0.4
Expenditures, Bil P	649.0	710.8	778.7
% change	10.0	9.5	9.6

Source: National Statistics Office (NSO), Bangko Sentral ng Pilipinas

Table 4. ANNUAL TRADING VALUE OF SELECTED EXCHANGES

Exchanges	Billion US\$			% Change		
	2000	2001	2002	2000	2001	2002
Hong Kong (HKEx)	376.7	241.0	194.0	63.7	-36.0	-19.5
Jakarta (JSX)	15.1	9.5	13.1	-12.4	-36.9	37.0
Korea (KSE)	556.2	380.6	592.8	-24.2	-31.6	55.8
Kuala Lumpur (KLSE)	52.9	21.3	33.1	24.6	-59.7	55.3
London (LSE)	4,558.7	4,550.5	3,998.5	34.1	-0.2	-12.1
Nasdaq	19,798.8	10,934.6	7,254.6	89.1	-44.8	-33.7
New York (NYSE)	11,060.0	10,489.3	10,311.2	23.6	-5.2	-1.7
Philippine (PSE)	8.5	3.1	3.1	-57.2	-63.1	-1.3
Shanghai (SSE)	379.0	274.4	204.9	84.9	-27.6	-25.3
Singapore (SGX)	95.2	71.8	62.8	-11.4	-24.6	-12.5
Taiwan (TSEC)	986.3	544.6	632.7	8.0	-44.8	16.2
Thailand (SET)	21.1	31.0	41.3	-43.3	47.0	33.1
Tokyo (TSE)	2,315.5	1,660.5	1,565.8	38.2	-28.3	-5.7

Sources: World Federation of Exchanges except for SSE, which came from website of SSE and The People's Bank of China

Table 5. PRICE INDICES OF SELECTED EXCHANGES, YEAR-END

Exchange Price Indices	2000	2001	2002	% Change		
				2000	2001	2002
HKEx All Ordinaries	6,107.9	4,885.6	4,113.1	-14.4	-20.0	-15.8
JSX Composite	416.3	392.0	425.0	-38.5	-5.8	8.4
KSE KOSPI	504.6	693.7	627.6	-50.9	37.5	-9.5
KLSE Composite	679.6	696.1	646.3	-16.3	2.4	-7.1
LSE FT-SE 100	6,222.5	5,217.4	3,940.4	-10.2	-16.2	-24.5
Nasdaq Composite	2,470.5	1,950.4	1,335.5	-39.3	-21.1	-31.5
NYSE DJIA	10,786.9	10,021.5	8,341.6	-6.2	-7.1	-16.8
PSE PHISIX	1,494.5	1,168.1	1,018.4	-30.3	-21.8	-12.8
SSE Composite	2,073.5	1,646.0	1,357.7	51.7	-20.6	-17.5
SGX All-Sing Equities	502.4	426.3	348.8	-24.9	-15.1	-18.2
TSEC Weighted Stock	4,743.1	5,551.2	4,452.5	-43.9	17.0	-19.8
SET Index	269.2	303.9	356.5	-44.1	12.9	17.3
TSE TOPIX	1,283.7	1,032.1	843.3	-25.5	-19.6	-18.3

Sources: World Federation of Exchanges except for SSE from Bloomberg

In the Philippines, the market perked up at start of year stimulated by better GDP growth, lower inflation and interest rates reinforced by prospects of training and material assistance from US forces for Philippine forces operating against kidnap gangs in Basilan. PHISIX peaked at 1,469.07 on 19 February, reversing previous year decline depressed by terrorist attack at the World Trade Center and the Pentagon in September of 2001.

These gains gradually eroded with confidence shaken by accounting malfeasance of large firms listed in the principal US market aggravated by war threats and the worsening domestic fiscal situation. PHISIX was lowest for the year on 19 December at 997.78 marginally better than 979.34 on 24 October 2001.

Market capitalization decreased 2.7% to P 2,083.2 billion in spite of 5 new listings that added P 23.6 billion to total. The increment was offset by lower prices on listed shares and reduction from delistings of P 7.4 billion.

Trading volume of 99.8 billion shares for the year was lowest since operations of PSE. The 39.3% drop in volume was partly offset by increase in share prices resulting in value turnover in same range as last year of P159.7 billion. Trading in the Small and Medium Enterprise Board was modest at P 17.0 million though more than three times that of prior year at P 4.7 million.

Trading in Small Denominated Treasury Bonds, the only government security listed, increased 3.4% from P 75.4 million to P 78.0 million. Amount was insignificant compared to total issued of P 30.3 billion with most investors holding to maturity because of attractive yield at 13.6% per annum.

Performance of listed companies as a group improved for first 9 months of 2002 based on latest available statement of earnings. Aggregate earnings at P 42.5 billion was significantly better than same period last year of P 10.2 billion.

Principal gain was in the food, beverage and tobacco industry earning P 13.9 billion, higher than year ago of P 8.8 billion. Banks trailed closely at P 12.5 billion significantly better than last year's P3.5 billion, a major recovery in the financial sector. Communication industry reported a turnaround of P 5.6 billion after 2 successive years of losses. Other sectors showed modest improvement over last year with losses continuing in construction, mining, oil and holding companies.

With slow market in 2002, the Board and Management focused attention on improving governance and efficiencies in operations at PSE and extended some relief measures to Trading Participants to alleviate their difficulties.

Table 6. SELECTED PSE MARKET INDICATORS

	Yearend, in billion units ^a				
	1998	1999	2000	2001	2002
Market Capitalization (P)	1,358.0	1,936.5 ^b	2,576.5 ^b	2,141.4 ^b	2,083.2
Trading Value (P) ^c	408.7	781.0	357.7	159.6	159.7
Trading Volume (shares)	287.8	949.0	659.4	164.4	99.8

a – End December for market capitalization; cumulative for trading value and volume
b – Market capitalization published for 1999 to 2001 revised to remove P1.2 billion market capitalization of Sime Darby Philippines, Inc. with retroactive effect in 1999.
c – Based on trade date, i.e., orders matched.

Table 7. NET EARNINGS OF LISTED COMPANIES, BY INDUSTRY

	Net Earnings (Billion P)					
	Fiscal Yearend				First 9 Months	
	1998	1999	2000	2001	2001	2002
Total Net Income	54.1	59.4	19.4	-30.0	10.2	42.5
Banks	10.1	28.9	3.3	7.1	3.5	12.5
Communication	0.9	2.0	-0.9	-14.9	-13.3	5.6
Construction & Other Related Products	-0.3	-17.8	-1.7	-3.5	-0.7	-0.5
Financial Services	0.3	0.5	1.6	0.4	0.2	0.4
Food, Bev. & Tobacco	28.6	10.8	11.7	8.1	8.8	13.9
Holding Firms	9.8	19.2	1.1	-29.5	2.3	-3.2
Hotel, Recreation & Other Services	1.0	-3.7	-3.2	-2.9	-0.5	0.9
Manufacturing, Distribution & Trading	-1.7	-3.2	-1.6	-0.6	0.1	0.2
Mining	-3.9	-0.5	-2.1	-3.3	-1.2	-0.4
Oil	0.3	-0.4	-0.5	-0.1	-0.04	-0.4
Others	0.3	0.3	0.3	0.3	0.2	0.2
Power and Energy	9.4	6.5	2.2	3.6	2.9	3.1
Property	2.6	2.6	9.5	2.6	4.0	5.7
Transport Services	-1.1	-1.7	-0.4	2.6	3.8	4.4
SME	0.006	0.006	0.004	0.003	0.001	0.005

Source: Financial statements submitted to PSE; audited for full year 1998 to 2001 and un-audited for first nine months of 2001 and 2002.



- March**
 - First election of Board of Directors under a demutualized regime
- May**
 - Strategic Development Committee plan for revitalization of the Exchange
- July**
 - Created post for and appointed person to Chief Technology Officer
- August**
 - Launching of good governance with adoption of following:
 - Corporate Governance Manual by PSE, by Trading Participants, and by Listed Companies;*
 - Anti-Money Laundering Guidelines by PSE and by Trading Participants;*
 - Code of Ethics by Trading Participants;*
 - Code of Conduct and Ethics by Traders and Salesmen;*
 - New Mission-Vision and Corporate Values by PSE Employees.*
- September**
 - PSE Road Show: Framework for revitalization of the Exchange
 - Launched Online Disclosure System (ODiSy)*
 - Memorandum of Understanding for the listing of Treasury bills*
 - (Preceded by presentations to fund managers in Hongkong and Singapore followed by presentations to the Philippine Chamber of Commerce and Industry at its October regional conference in Boracay, Aklan, and its December national conference in Manila)*
- October**
 - Concluded contract on donation of property by Fort Bonifacio Development Corp. to PSE
- November**
 - Adopted rulebook on conduct for Directors of PSE Board
- December**
 - Operating expenses below budget and 7% less than 2001
 - Net income 53% greater than 2001



PSE OPERATIONS

Election of Directors to Board in March proceeded harmoniously with no objection to the 8 non-brokers endorsed by the outgoing Board and with 7 broker-directors elected from a field of 10. Results of organizational meeting of elected directors that followed to choose officers of the Exchange was however challenged by a faction of broker-directors on grounds that non-broker directors frustrated the will of the electorate by not electing the Chair from their team. This was aggravated by case filed in court protesting exclusion of candidate from the shortlist for non-brokers.

These controversies initially disrupted proceedings and deliberations at the Board and imposed additional burdens on Management. The Board and Management nevertheless would not be distracted from the principal mission of regaining public trust and interest in the Exchange and of improving efficiencies and operations to better serve all stakeholders fairly and effectively.

Committees were organized to address immediate priorities. Business Development, Technology, and Demutualization committees were consolidated to a single Strategic Development Committee. Membership and Building committees were de-activated. An Investment Committee was set up to share information for maximizing investments of PSE and affiliated companies. By-Laws Committee was constituted to draft provisions appropriate to a demutualized entity. (see Appendix A for committees)

The Exchange should be an efficient market that is orderly, fair and transparent for enterprise to mobilize capital, for investors to acquire stakes in such ventures and share in their fortunes, and for Trading Participants to service their interests effectively with integrity.

Listings and Disclosures

New Listings and Capital Mobilized

The number of listed firms increased to 234 with 5 listings added partly offset by delisting of 2. Of the new listings, 3 with track record, were listed in the First Board accounting for 70% of public offerings with 54% by Banco De Oro Universal Bank alone. The two others in the Second Board accounted for balance of 30%.

Capital mobilized by firms through the Exchange totaled P40.6 billion 5 times more than last year of P 7.3 billion. Over 90% or P 36.6 billion was raised by existing firms through additional listing with balance by new firms through IPO. Except for plunge in 2001, amount raised was within the annual range of the past 5 years.

Table 8. NEW LISTING

Name of Company	Public Offering (Million shares)			Offer Price	Public Offering (Million P)		
	Primary	Secondary	Total	(P)	Primary	Secondary	Total
1. Citystate Savings Bank, Inc.	11.1	-	11.1	11.5	128.2	-	128.2
2. Salcon Power Corp. (1st B)	156.9	156.9	313.9	1.8	282.5	282.5	565.0
3. Highlands Prime Leisure Prop., Inc.	93.9	355.3	449.2	2.1	200.0	756.9	956.9
4. Banco de Oro UniBank (1st B)	50.5	56.3	106.8	20.8	1,050.2	1,172.1	2,222.7
5. Jolliville Holdings, Inc. (1st B)	30.0	64.3	94.3	1.1	32.7	70.1	102.8
Total	342.4	632.9	975.4		1,693.6	2,281.6	3,975.2

Table 9. CAPITAL MOBILIZED AND LISTED COMPANIES

	Year end 31 December				
	1998	1999	2000	2001	2002
Capital Raised (Billion Pesos)	37.9	42.1	37.2	7.3	40.6
Initial Public Offerings ¹	1.4	0.8	0.6	0.2	3.9
Additional Listings ²	36.5	41.3	36.6	7.1	36.6
Number of Listed Companies ^R	222	225	229	231	234
New Listings	4	5	7	3	5
Delisting ^R	3	2	3	1	2

R - Revised to reflect delisting of Sime Darby Philipinas, Inc. with retroactive effect on 1 September 1999.
¹ - Figures represent the aggregate amount of initial public offerings consisting of either new shares or existing shares and/or both.
² - Figures represent additional issuance of new shares by listed companies after its initial public offering, specifically from rights offering and private placement transactions.

Revision of Listing and Disclosure Rules

Listing rules were revised to facilitate entry of firms in the Exchange with emphasis on information and disclosures to the market on a timely basis. Objective was to have more stocks listed with maximum information for the investing public to assess risk better and make informed decisions. Revised rules awaiting approvals, include:

Disclosure Rules

Enhance safeguard against insider trading with blackout provision barring directors or officers of listed company from trading of company shares up to two trading days from date of releasing material information. Reinforce mandatory reports with more comprehensive information requirement.

Amendments to Rule on Additional Listing of Shares

Relax requirements for listing of shares to unrelated parties without requiring rights offering but retain for related party transactions. Investors would no longer be deprived of benefits from new infusion of capital from unrelated parties yet remain protected with retention of offer rights for existing shareholders in related party transactions.

IPO Distribution Process revised to simplify process but only provisions granting 10% discount to local small investors was approved by SEC.

Knowledge Enhancement and Dissemination

PSE website was enhanced to contain the following:

- announcements of listed companies and PSE;
- stock quotations;
- dividend declarations;
- charts to facilitate determination of market behavior;
- prospectus of companies offering shares;
- listing requirements;
- SMS/WAP service that allows users to receive market information via mobile phone; and
- stock trading simulation game

Online Disclosure System (ODiSy) providing simultaneous and timely release of information to market participants was launched by President Gloria Macapagal-Arroyo during the PSE Road Show. Users could access corporate disclosures and announcements through the PSE website 24 hours a day, 7 days a week. The System would enable companies to upload corporate disclosures 24 hours a day, 5 days a week.

Compliance and Surveillance

Annual financial audit of all active Trading Participants were carried out supplemented by monthly review of compliances with net capital requirements to assess capacity of each to meet their respective obligations to clients. Sales practices were regularly audited as precautionary measure against abuse. Daily stock price and volume movements were monitored to detect possible price manipulation and insider trading.

Surveillance System Upgrade

An Automated Market Surveillance System (AMPS) to signal unusual price or volume movements and help set priorities in scheduling investigations was set up. A second phase implementation of this automated system to facilitate organization of data and expedite analysis and retrieval would be in place by 2003.

Trading and Settlement

Delivery Versus Payment (DVP)

PSE, in coordination with the Securities Clearing Corporation of the Philippines (SCCP), monitored and managed transactions to ensure settlement of PSE trades.

Table 10. PSE SETTLEMENT OF TRADES

Year	No. of Settlement Days	No. of Trades Settled	No. of Shares Settled (Billions)	Value of Trades Settled (Billion P)
2000	251	1,386,176	673.8	355.3
2001	247	655,721	165.5	163.4
2002	246	521,678	100.9	162.9

Based on settlement, 3 days after trade date

Number of trades settled for the year totaled 521,678, inclusive of cross and block trades. Corresponding number of shares or volume amounted to 100.9 billion with value at P 162.9 billion.

Settlement fails and defaults were resolved through the fails management system of SCCP to protect the counterparties and contain settlement risks.

Rules on settlement require payments and delivery of securities be made before cut-off time 12:00 noon 3 business days after orders have been matched. Failure to do so would trigger remedial measures by SCCP to ensure delivery and/or payments. If not done before start of trading following day, broker would be in default and be suspended from trading until settlement of such obligations.

Table 11. SETTLEMENT FAILS

Year	Security Fail				Cash Fail		
	Instances	No. of Trading Participants	No. of Issues	Value (Million Pesos)	Instances	No. of Trading Participants	Value (Million Pesos)
2000	31	26	27	204.1	54	26	445.8
2001	13	13	13	72.8	19	14	147.1
2002	7	6	6	88.1	3	3	12.2

Source: SCCP

PSE handled 10 instances of settlement fails, of which 7 were on delivery involving 6 Trading Participants and 6 issues, and 3 on cash payments involving 3 Trading Participants. Incidences of settlement fails occurrence have declined over the years.

All instances of settlement fails were resolved, with no defaults in settlement. This negated need for Buy-In (purchase of shares from the market on behalf of the defaulter to settle a delivery failure) and Sell-Out (sale of shares of the defaulter for cash to cover failure in payments). Penalties were imposed on all 10 occurrences of settlement failure.

Block Sales

Big volume trades prearranged by clients of Trading Participants were through Block Sales subjecting transactions to same taxes on regular trades of 0.5% sales tax in lieu of higher capital gains tax, and documentary stamp tax of P 1.50 on each P 200 based on par value of securities traded.

Ninety-six block sales were processed in 2002 amounting to P 45.8 billion involving 94 Trading Participants and 28 issues. The Exchange earned a total of P 4.6 million from fees on block sales.

Table 12. BLOCK SALES

Year	Number of Block Sales	Contract Value (Billion P)	PSE Fees on Block Sales (Million P)
2000	58	58.9	0.00
2001	46	17.7	0.78 *
2002	96	45.8	4.58

* Fee on Block Sales was only authorized by the SEC on August 10, 2001 at the rate of 1/200% on each buy and sell contract.

Acquisition of a Clearing and Settlement System

Acquisition of a clearing and settlement (CNS) system was approved by the Board to improve the delivery-versus-payment (DVP) settlement system of the Exchange. Trading orders would be electronically integrated to clearing and settlement with the Exchange link-up to the depository, settlement banks and registries/transfer agents. Collateral valuation, fund administration, and securities borrowing and lending operations, would be automated, strengthening management of risks. Substantial reduction in acquisition cost of CNS would enable earlier recovery with no increase in processing fees and should be fully operational by end of 2003.

Risk Management

Table 13. CLEARING AND TRADE GUARANTY FUND

Clearing and Trade Guaranty Fund (CTGF)

CTGF was set up in 1999 to consolidate funds allocated by PSE to cover settlement obligations of Trading Participants with liquidity problems. The

Year	Active Trading Participants*	Million Pesos					
		Fund Balance (Beginning)	PSE Contributions	Collections	Interest Income	Transfers from PSE	Fund Balance (Year-End)
1999	166	0.0	30.0**	14.7	4.9	69.8	119.4
2000	166	119.4	50.0***	7.2	10.0	0.0	186.6
2001	156	186.6	0.0	2.6	16.8	0.0	206.0
2002	141	206.0	0.0	1.5	14.4	0.0	221.9

*Highest number during year in contrast to yearend. **Transferred to SSCP in December 1999. *** Transferred to SSCP in December 2000.

Fund was seeded with P 80 million contributions from PSE with incomes from fees levied on trading and from interest placements. Current fee rate is 1/1000 of 1% collected monthly on value turnover of all regular trades. Fund size was at P 221.9 million by end of 2002.

Securities Borrowing and Lending (SBL) Facility for Settlement Purposes

Borrowing and lending of securities have been arranged to cover possible delay in delivery of stocks sold. Rules and operational guidelines governing SBL finalized in 2002 with implementation pending resolution of rate of documentary stamp tax to apply either P 0.30 per P 200 on basis of loan concept or P 1.50 per P 200 on basis of equity concept. Representation made with Bureau of Internal Revenue for same treatment as loan with ruling expected shortly.

Infrastructure Development and Operations

Automated trading started 1993 prior to unification of the Manila and Makati stock exchanges. The exchanges were merged with two trading floors retained served by an automated single-price trading system fully operational by 1995.

Information technology continued to be upgraded to enhance transparency and improve efficiency to better serve Investors, Trading Participants, Listed Companies, and the general public. PSE website content was enhanced, Online Disclosure System (ODiSy) was set up with the Surveillance System broadened to strengthen market watch activities.

Product Diversification

Mutual Funds

Market vitality depended not only on number but on variety of products available to investors. In addition to facilitating listing equities, the Exchange opened distribution of mutual funds to Trading Participants in preparation for subsequent listing. In this regard, agreement with Sun Life Asset Management Company was concluded for distribution of mutual funds through the Exchange.

Treasury Bills

Agreement was likewise concluded with the Bureau of Treasury (BTr) for secondary trading of Treasury Bills in the Exchange. Through partnership with accredited Government Securities Dealers, Trading Participants would bid in auctions, which upon award, would automatically list the entire issue for trade. T-bills could then be directly sold to the public with greater transparency in prices. Trading of T-Bills at the PSE could be launched in 2003.

Dollar-Denominated Trading (DDT) Facility

DDT would open trading and settlement of Philippine securities listed offshore in dollar currency mitigating foreign exchange risks in the process. For the initial launch, three offshore listed securities could be considered namely, TEL (Philippine Long Distance Co.), MFC (Manulife Financial Corporation), and SLF (Sun Life Financial of Canada). DDT facility would be launched in the first half of 2003.

Information Campaign

Cognizant of media value in keeping the public informed of market activities, the Exchange continued press briefings, news and photo releases. Weekly and Monthly reports with data and writeups on market performance provided important guides for investments and made available in electronic form to lower cost and facilitate access to users.

The PSE Guardian, a quarterly newsletter, was introduced with maiden issue in December. The newsletter highlights accomplishments and undertakings of the Exchange. The investor's guide for the novice investor was updated and made available to interested parties. An audio-visual composition on the workings of the Exchange and its role in capital formation and wealth creation was produced for viewing by interested audience. Visitors continued to avail of the stock market briefing and guided tour of both the Makati and Pasig sites of the PSE.

Partnerships with Government and other Market Players

The Exchange continued to work closely with SEC, Congress, Department of Finance, Capital Market Development Council, and Bankers' Association of the Philippines on matters concerning capital markets and related legislative measures. Following were results of these initiatives:

- Enactment of Special Purpose Vehicle (SPV) law signed at the PSE Ayala Trading Floor in January 2003, extending tax incentives to relieve banks of their non-performing assets (NPAs) and return to business of credit.

- Endorsement to Congress of following measures:
 - ✓ Exemption of borrowing and lending of securities from Documentary Stamp Tax (DST);
 - ✓ Securitization bill to establish legal structure for conversion of assets and receivables into vendible securities;
 - ✓ Personal Equity and Retirement Account (PERA) bill to encourage personal investments from workers for their retirement;
 - ✓ Amendments to the Investment Company Act to provide a regulatory framework for mutual funds;
 - ✓ Amendments to the Securities Regulation Code to delete unrealistic restrictions on Trading Participants and on directors of listed companies for trading transactions in the Exchange.

Education and Social Commitment



PSE Foundation remained the principal instrument for extending support to educational and social development. Focus has been on development of the capital market with some resources allocated to poverty alleviation, disaster assistance and environmental protection projects.

This was complemented by initiatives of the PSE Board, Management, and Staff during the Christmas season to redirect part of Christmas budget to share with poor communities within vicinities of PSE office

sites. PSE employees hosted get togethers with street children and presented gifts to indigent families in the Makati and Pasig areas. Part of the re-allocation supported a feeding program for malnourished children in Pinagbuhatan, Pasig. In lieu of gifts to officials of government, associates in business and friends, urgently needed AMBU (manual respirator) bags were donated to the Philippine General Hospital in their names.



Subsidiaries

Clearing and settlement is an integral part of trading in securities. SCCP was set up to perform this function with the Philippine Central Depository (PCD) as depository for securities traded to facilitate scripless transfers. PSE invested in both firms to ensure that its interest would be served through 51% holdings in SCCP and 32% in PCD.

Both subsidiaries have been incurring losses with PSE taking up proportion in relation to its ownership share. For this year, P 4 million each would have to be taken up from share in losses of SCCP and PCD or a total loss of P 8 million in spite of substantial reduction in losses at PCD due to downsizing pushed by PSE representatives.

OPERATIONS OF TRADING PARTICIPANTS

The Exchange had 184 Trading Participants with 137 active at yearend from the peak of 177 in 1997 receding over the years with declining market activities. Withdrawal from operation was pronounced among foreign Trading Participants from high of 77 in 1997 to current 12 with locals declining gradually from high of 145 in 1996 to 125 at end year.

Of the 47 inactive Trading Participants, 27 opted for voluntary suspension, 4 involuntary suspension, 8 ceased operations, with 8 dormant from start.

Prior to demutualization, all brokers had to be members of the Exchange to trade. To be a member, an individual or a corporation had to acquire a seat either from the Exchange or from another broker subject to approval of the Board of Governors.

**Table 14. ACTIVE MEMBER-BROKERS/TRADING PARTICIPANTS
(VALUE IN MILLION PESOS)**

	MEMBER-BROKERS							TRADING PARTICIPANTS	
	1994	1995	1996	1997	1998	1999	2000	2001	2002
NO. OF ACTIVE MEMBER-BROKERS/ TRADING PARTICIPANTS	162	169	176	177	166	163	158	144	137
Local	142	141	145	140	132	132	128	127	125
Foreign	20	28	31	37	34	31	30	17	12
ANNUAL VALUE TURNOVER	364,296	378,982	668,866	586,172	408,679	780,963	357,659	159,555	159,727
AVE. ANNUAL VALUE TURNOVER PER MEMBER-BROKER/TRADING PARTICIPANT	2,248	2,242	3,800	3,311	2,461	4,791	2,263	1,108	1,165
VALUE OF MEMBERSHIP/ TRADING RIGHT AND SHARES	45	80	75	71	30	28	25	25 *	12.05 **
High	45 Oct. 12	80 Oct. 4	85 Jun 17	78 Mar 21	30 Nov 20	32 Feb 10	31 Feb 23	25 Oct 12	12.05 Nov 13
Low	14 Jul 6	40 Apr 21	75 Dec 19	70 Feb 28	20 Jul 8	12 Feb 10	20 Jul 28	25 Oct 12	12.05 Nov 13
* Trading rights for P24.95 million with 50,000 PSE common shares for P50,000.00 on Oct 12, 2001 ** Trading rights for P12.05 million with 50,000 PSE common shares for P50,000.00 on Nov 13, 2002									

Upon demutualization through conversion of PSE to stock corporation on August 8, 2001, all 184 registered brokers became Trading Participants with right to trade with each acquiring 50,000 shares in 2002.

First sale of trading right and shares was in 2001 for P 25 million, followed by another a year later for P 12.05 million. Sale solely of 50,000 shares in 2002 went for P 6 million.

During the year, 4 firms re-activated operations. Three local, namely: King's Power Securities, Inc., UPCC Securities Corp., Keppel Securities (Phils), Inc., and a foreign UOB Kay-Hian Securities (Phils), Inc. Two new entrants, both local-owned, commenced trading operations after acquiring the shares and rights of inactive Trading Participants and after securing SEC license and PSE Board approval. These were All Suwerte Securities, Inc. and EIB Securities, Inc.

Capital Resources

Total paid-up capital deployed by trading participants declined from P 9.2 billion in 2000 to P 6.3 billion in 2002 with corresponding drop in the average per firm from P 58 million to P 46 million this year. This was due to combination of losses and departure of firms with capital in the higher range. Those with paid-up capital of P 100 million and up declined from 31 in 2000 to 18 more among foreign from 20 to 7.

Table 15. CAPITAL OF ACTIVE TRADING PARTICIPANTS

A. GROUPING BY SIZE OF PAID-UP CAPITAL (Million Pesos)	NO. OF TRADING PARTICIPANTS					
	2000		2001		2002	
	Local	Foreign	Local	Foreign	Local	Foreign
Below 10	0	0	0	0	0	0
10 - 19.9	55	0	53	0	52	0
20 - 39.9	40	3	39	2	39	2
40 - 59.9	11	4	14	1	14	1
60 - 79.9	7	1	6	1	5	1
80 - 99.9	4	2	4	1	4	1
100 and above	11	20	12	11	11	7
TOTAL ACTIVE TRADING PARTICIPANTS	128	30	127	17	125	12
	158		144		137	
B. TOTAL RESOURCES	(Million Pesos)					
PAID-UP CAPITAL	9,173.3		7,159.0		6,343.4	
TOTAL ASSETS	18,218.9		10,606.4		8,862.7	
TOTAL LIABILITIES	9,675.7		5,178.7		3,722.8	
NET WORTH	8,543.2		5,427.7		5,139.9	
NET INCOME	(834.4)		(1,068.5)		(276.6)	

(Source: Audited Financial Statement of Trading Participants)

Attrition in numbers and losses accrued by remaining firms took a heavy toll on total assets mobilized declining from P 18.2 billion in 2000 to P 8.8 billion at year-end.

Net worth dropped to P 5.1 billion from P 8.5 billion in 2000 with departures eroding P 1.6 billion in 2001 and half a billion in 2002.

Losses were substantial at a billion in 2001 diminished to quarter of a billion through cost cutting measures including curtailment of liabilities with some relief from PSE through waiver of terminal fees. During this difficult period, 47 brokerage firms had net income in 2000 for aggregate of P 273.1 million, 27 earned P 74.7 million in 2001 and 36 in 2002 for P 113 million.

Appendix A: COMMITTEES AND KEY FUNCTIONS

2001	2002	KEY FUNCTIONS
REGULAR COMMITTEES		
1. Business Ethics and Conduct	1. Governance <i>(Converted to Governance to reflect current focus over the rights and interests of the investing public.)</i>	<ul style="list-style-type: none"> o Promote the observance of business conduct and ethics by Trading Participants in their brokerage business and operations; o Conduct review of Rules and recommend amendments or adopt new rules as appropriate; o Review findings and cause actions to be taken on the recommendations of the Compliance and Surveillance Group relative to violations by trading participants, dealers, traders, salesmen, issuers, of the PSE rules with respect to business conduct, and minimum requirements for brokerage operations.
2. Management Audit and Finance	2. Audit <i>(Converted to Audit to emphasize its independence from management with direct accountability to the Board.)</i>	<ul style="list-style-type: none"> o Supervise internal audit of all PSE transactions through examining its books, papers and records; engage services of a Certified Public Accountant with concurrence of the Board of Directors; and render appropriate reports to the Board as required.
3. Nomination	3. Nomination	<ul style="list-style-type: none"> o Pre-screen and qualify all candidates for Directors of the Board in consultation with the SEC; o Formulate and issue guidelines on number of directorships a member of the Board may hold.
4. Listing	4. Listing	<ul style="list-style-type: none"> o Review recommendations by Listings and Disclosure Group and where appropriate endorse for approval or notation of the Board on matters concerning listing applications, penalties, fines and sanctions to be imposed on erring companies and policies governing listed companies; o Recommend for approval of the Board amendments to Listing and Disclosure Rules of the Exchange.
5. Floor Trading & Arbitration	5. Floor Trading & Arbitration	<ul style="list-style-type: none"> o Recommend changes on trading rules for Board approval; o Enforce and administer, through management, the dissemination and strict implementation of trading rules and regulations; o Settle disputes and trading discrepancy arising from transactions on the floor.
6. Settlement	6. Settlement	<ul style="list-style-type: none"> o Recommend measures to enhance efficiency of the clearing and settlement system.
7. Membership	<i>(Ceased operation with management continuing services and functions.)</i>	
	7. Remuneration <i>(Constituted to comply with Governance Manual)</i>	<ul style="list-style-type: none"> o Review compensation structure of the Board and the organization and recommend measures for Board consideration.
AD HOC COMMITTEES		
2001	2002	KEY FUNCTIONS
8. House	8. House	<ul style="list-style-type: none"> o Recommend maintenance and upkeep and determine concessionaire services of the PSE Brokers' Lounge.
9. Building	<i>(De-activated with the completion on the property donation of Fort Bonifacio Development Corp. to PSE.)</i>	
10. Sports	9. Sports	<ul style="list-style-type: none"> o Foster camaraderie among Trading Participants through sports activities.
11. Business Dev't. 12. Technology 13. Demutualization	10. Strategic Development <i>(Consolidated into one committee.)</i>	<ul style="list-style-type: none"> o Develop with management a strategic business plan to enhance governance and operational efficiency of PSE.
14. Legislative	11. Legislative	<ul style="list-style-type: none"> o Review bills Congress that affect PSE and the capital market, and recommend specific courses of action; o Initiate studies in specific areas to improve the capital market and recommend the passage of bills to address them.
	12. Investments	<ul style="list-style-type: none"> o Share information and analysis in view of best options for investments of PSE. Paramount objective is to maximize interest income and minimize risk.
	13. By-Laws	<ul style="list-style-type: none"> o Review existing PSE Articles of Incorporation and By-laws and recommend amendments thereto.

Appendix B: LIST OF TRADING PARTICIPANTS

As of 28 February 2003

COMPANY NAME	NOMINEE/TRADING PARTICIPANT	COMPANY NAME	NOMINEE/TRADING PARTICIPANT
A & A Securities, Inc.	Shirley Y. Bangayan	Diversified Securities, Inc.	Ramon C. Garcia Jr.
A. T. De Castro Securities Corp.	Alejandro T. De Castro	E*Trade Securities Corporation *	David Heron
AAA Southeast Equities, Inc.	D. Alfred A. Cabangon	E. Chua Chiaco Securities, Inc.	Ernesto Chua Chiaco
AB Capital Securities, Inc.	Filomeno G. Francisco	Eagle Equities, Inc.	Joseph Y. Roxas
Abacus Securities Corporation	Paulino S. Soo	Eastern Securities Dev't. Corp.	Marian P. Leong
ABN Amro Asia Securities (Phils.), Inc.	Gregorio U. Kilayko	EastWest Capital Corporation	Edilberto B. Bravo
Alakor Securities Corporation	Gerard Anton S. Ramos	EBC Securities Corporation **	Genevieve W. J. Go
All AsiaSecurities Management Corp. *	—	EIB Securities, Inc.	Reynaldo G. David
All Suwerte Securities, Inc.	Paul L. Wee	Equitoworld Securities, Inc.	Antonio A. Lopa
Alpha Securities Corporation	Alberto L. Yu	Evergreen Stock Brokerage & Sec. Inc.	Francisco S. Gaisano
Angping & Associates Securities, Inc.	Jerry C. Angping	F. Yap Securities, Inc.	Felipe U. Yap
Ansaldo, Godinez & Company, Inc.	Mariano U. Godinez	FEB Stock Brokers, Inc. *	Emilio S. De Quiros
Apex Phils. Equities Corporation	Jose Roberto Delgado	Fidelity Securities, Inc.	Ben C. Tiu
Armstrong Securities, Inc.	Tony O. King	Finvest Securities Company, Inc. **	—
Asia Pacific Capital Equities & Securities Corp.	—	First Integrated Capital Securities, Inc.	Manuel Mañalac Jr.
Asiamerit Securities, Inc. *	—	First Orient Securities, Inc.	Trinidad Y. Kalaw
Asian Capital Equities, Inc.	Jose Armando L. Eduque	Fortune Securities, Inc.	Alberto Gotuaco
Asiasec Equities, Inc.	Gideon G. Sison	Francisco Ortigas Securities, Inc.	Francisco M. Ortigas III
Astra Securities Corporation	Benito B. H. Ang	G. D. Tan & Company, Inc.	Gilbert Tan
ATC Securities, Inc.	Anselmo Trinidad Jr.	G. K. Goh Securities (Phils.), Inc. *	—
ATR-Kim Eng Securities, Inc.	Ramon B. Arnaiz	Globalinks Securities & Stocks, Inc.	David L. Wuson
Aurora Securities, Inc.	Emmanuel Edward C. Co	Golden Tower Sec. & Holdings, Inc.	Andres Lao Hian Liong
B. H. Chua Securities Corporation	Michael Li Chua	Goldstar Securities, Inc.	Joseph K. Mancilla
BA Securities, Inc.	Ang Biao	Grand Asia Securities, Inc. ****	Jose C. Balonan
Belson Securities, Inc.	Federico C. Lim	Guild Securities, Inc.	Antonio B. Alvarez
Benjamin Co Ca & Company, Inc.	Benjamin Co Ca	Guoco Securities (Phils.), Inc. *	Micky Yong
Bernad Securities, Inc.	Elphege Wong	H. E. Bennett Securities, Inc.	Jesus M. de la Peña
BNP Paribas Investment (Phils.), Inc. ***	—	HDI Securities, Inc.	Chia Kim Teck
BNP Paribas Peregrine Securities, Inc. *	—	Highland Securities Phils., Inc.	Vicente Jayme Jr.
BPI Securities Corporation	Senen L. Matoto	HK Securities, Inc.	Rodolfo V. Cruz
Campos, Lanuza & Company, Inc.	Gerardo O. Lanuza Jr.	HSBC Securities (Philippines), Inc. *	—
CDIB Venture Investment (Asia) Limited ****	Joseph T. G. Tseng	I. Ackerman & Company, Inc.	Irving I. Ackerman
Century Securities Corporation	Chan Kok Bin	I. B. Gimenez Securities, Inc.	Ignacio B. Gimenez
—	Christopher L. Chilip	IGC Securities, Inc.	Ismael G. Cruz
Christfund Securities (Phils.), Inc. *	Esteban Peña Sy	Imperial, De Guzman, Abalos & Co., Inc.	Leonides C. Tiotuico
Citicorp Securities International (RP), Inc. *	—	Indosuez W. I. Carr Sec. (Phils.), Inc. ***	Emmanuel L. Samson
Citisecurities, Inc.	Edward K. Lee	ING Securities (Philippines), Inc.	Cesar Luis F. Bate
Citytrust Securities Corporation *	Alberto S. Villarosa	Intra-Invest Securities, Inc.	Edgardo V. Guevara
CLSA Philippines, Inc.	Raymond M. Tempongko	Investors Securities, Inc.	Edward Go
Coherco Securities, Inc.	Wilfred T. Co	J. M. Barcelon & Company, Inc.	Amparo V. Barcelon
Cualoping Securities Corporation	Victor Say Hipek	J. P. Morgan Securities Philippines, Inc.	Ismael A. Pili
DA Market Securities, Inc.	Nestor S. Aguila	Jaka Securities Corporation	Katrina C. Ponce-Enrile
David Go Securities Corporation	David C. Go	Jocrison Securities, Inc. ****	Jose Chong
DBP-Daiwa Securities SMBC Philippines, Inc.	Hiroyuki Kaneko	JSG Securities, Inc.	Jorge S. Go
DBS Securities Phils., Inc. ***	—	Keppel Securities Philippines, Inc.	Rhodora A. Gonzales
DBS Vickers Securities (Phils.), Inc. ***	—	Key Securities, Inc. *	Koo Kiao Go
Deutsche Regis Partners, Inc.	Emmanuel O. Bautista	KGI Securities (Phils.), Inc.	—

COMPANY NAME **NOMINEE/TRADING PARTICIPANT**

King's Power Securities, Inc.	Carlos J. Ching
Larrgo Securities Company, Inc.	Maria Paz R. Laurel
Litonjua Securities, Inc.	Eduardo V. Litonjua Jr.
Lopez, Locsin, Ledesma & Company, Inc.	Dionisio Lopez
Lucky Securities, Inc.	Eddie T. Gobing
Luy's Securities Company, Inc.	Enrique Luy
Magnum International Securities, Inc. *	—
Mandarin Securities Corporation	Charles H. Shih
Marian Securities, Inc.	Richard L. Lee
Marino Olondriz y Cia **	Marino Jose Olondriz
Mark Securities Corporation *	Mark S. Dayrit
MDR Securities, Inc.	Manuel D. Recto
Mercantile Securities, Inc.	Astrid Melody Lim
Meridian Securities, Inc.	Ronaldo S. Salonga
Mount Peak Securities, Inc.	William Gaweco
Multi-Grade Securities Corp.	Nolan M. Dapul
New World Securities, Inc.	Joan Chai Chu
Nieves Sanchez, Inc.	Nieves Sanchez
Nomura Securities Phils., Inc. *	Noriyasu Yoshizawa
OCBC Securities Philippines, Inc. ***	—
Optimum Securities Corporation	Eddie S. Jose
Orion-Squire Capital, Inc. *	—
Pan Asia Securities Corporation	Mariano Tanenglian
Papa Securities Corporation	Myron Timothy P. Papa
Paragon Strategic Holdings, Inc. ****	—
PCCI Securities Brokers Corp.	Federico C. Galang
PCIB Securities, Inc.	Erlaster C. Sotto
Pearlbank Securities, Inc. *	Juanita U. Tan
PhileoAllied Securities (Philippines), Inc. *	—
Philippine Equity Partners, Inc.	Joseph R. Madrid
Philippine TA Securities, Inc. *	Yeoh Yong Woi
Phil-Progress Securities Corp.	Francisca S. Martin
Pierce Interlink Securities, Inc. *	Luciano P. Ong Sr.
PJB Pacific Securities (Phils.), Inc. *	—
Platinum Securities, Inc.	Rodolfo V. Feliciano
PNB Securities, Inc.	Victor C. Gella
Premium Securities, Inc.	Antonio Y. Tee
Pryce Securities, Inc. *	Salvador P. Escaño
Public Securities Corporation	Reynaldo V. Reyes
Quality Investment & Securities Corp.	Alfred Cu
R & L Investments, Inc.	Rene R. Lee
R. Coyiuto Securities, Inc.	Robert Coyiuto Jr.
R. Nubla Securities, Inc.	Ralph Nubla Jr.
R. S. Lim & Company, Inc.	Alejandro T. Yu
Rashid Hussain Securities (Phils.), Inc. ***	—
RCBC Securities, Inc.	Alicia Rita M. Arroyo
Regina Capital Development Corporation	Marita A. Limlingan

COMPANY NAME **NOMINEE/TRADING PARTICIPANT**

RTG & Company, Inc.	—
S. J. Roxas & Company, Inc.	Simplicio J. Roxas
Santander Investment Securities (Phils.), Inc.	Vicente B. Castillo
Sapphire Securities, Inc. ***	—
Sarangani Securities, Inc.	Arthur W. Antonino
SB Equities, Inc.	Remy Tigulo
Securities 2000, Inc. *	Charles C. Ngan
Securities Plus, Inc. ****	Eduardo L. Gaspar
Securities Specialists, Inc.	Francisco Villaroman
SG Securities (Philippines), Inc. ***.	Urbano B. Razon Jr.
Sincere Securities Corporation	John Kenneth L. Ocampo
Solar Securities, Inc.	Johnny S. Yap
Standard Securities Corporation	Domingo Herrera
Strategic Equities Corporation	Roberto Z. Lorayes
Summit Securities, Inc.	Harry G. Liu
Sun Hung Kai Securities (Phils.), Inc. *	David Charles Parker
Supreme Stockbroker, Inc.	Eduardo C. Arroyo Jr.
Tansengco & Company, Inc.	Francisco O. Tansengco
The First Resources Management & Sec. Corp.	Ma. Vivian Yuchengco
Thing On Securities Ltd. Philippines, Inc.	Betty Wong
Topwin Securities, Inc. *	—
Tower Securities, Inc.	Raymond Peter L. Unlay
Trans-Asia Securities, Inc.	Eugene Ong
Trendline Securities Corporation **	—
Tri-State Securities, Inc.	Gregorio T. Chan
Triton Securities Corporation	Edwin L. Luy
UBS Warburg Securities Philippines, Inc.	Robrina L. Go
UCPB Securities, Inc.	Joseph N. Pineda
Unicapital Securities, Inc.	Leonardo R. Arguelles
UOB-Kay Hian Securities (Philippines), Inc.	—
UPCC Securities Corporation	William C. Uy
—	Geronimo F. Velasco Jr.
Venture Securities, Inc.	Eusebio Tanco
Vicsal Securities & Stock Brokerage, Inc.	Frank Sy Gaisano
Wealth Securities, Inc.	Hosanna T. Ayson
Westlink Global Equities, Inc.	Rhoderick Santos
Wise Securities Phils., Inc.	Ramon L. Mapa
Wong Securities Corporation	Eden Wong
Worldsec International Securities (Phils.), Inc. *	Paul K. Cheng
—	George Yang
Yao & Zialcita, Inc.	Carmelita C. Yao
Yaptinchay Securities Corp. *	Agerico T. Paras
Yu & Company, Inc.	Johnny Yu

LEGEND:

- * Voluntary Suspension
- ** Involuntary Suspension
- *** Ceased Operation
- **** Never Operated

Appendix C. LISTED COMPANIES AND ISSUES

As of 31 December 2002

COMPANY/ISSUE	STOCK SYMBOL	PAR VALUE	COMPANY/ISSUE	STOCK SYMBOL	PAR VALUE
BANKS AND FINANCIAL SERVICES					
<i>BANKS</i>					
ASIATRUST DEVELOPMENT BANK, INC.	ASIA	10.00	LA TONDENA DISTILLERS, INC.	LTDI	1.00
BANCO DE ORO UNIVERSAL BANK	BDO	10.00	LIBERTY FLOUR MILLS, INC.	LFM	10.00
BANCO FILIPINO SAVINGS & MORTGAGE BANK *	BF	100.00	PANCAKE HOUSE, INC.	PCKH	1.00
BANK OF THE PHILIPPINE ISLANDS	BPI	10.00	PHILIPPINE TOBACCO FLUE-CURING & REDRYING CORP.	TFC	1.00
CHINA BANKING CORPORATION	CHIB	100.00	RFM CORPORATION	RFM	2.00
CHINATRUST (PHILIPPINES) COMMERCIAL BANK CORP.	CHTR	10.00	SAN MIGUEL CORPORATION "A"	SMC	5.00
CITYSTATE SAVINGS BANK, INC.	CSB	10.00	SAN MIGUEL CORPORATION "B"	SMCB	5.00
EQUITABLE PCI BANK, INC.	EBC	10.00	SAN MIGUEL PURE FOODS COMPANY, INC. "A"	PF	10.00
EXPORT AND INDUSTRY BANK, INC. *	EIB	100.00	SAN MIGUEL PURE FOODS COMPANY, INC. "B"	PFB	10.00
FIRST E-BANK CORPORATION (A DEVELOPMENT BANK)	FSTE	1.00	SWIFT FOODS, INC.	SFI	1.00
METROPOLITAN BANK & TRUST COMPANY	MBT	20.00	UNIVERSAL ROBINA CORPORATION	URC	1.00
PHILIPPINE BANK OF COMMUNICATIONS	PBC	100.00	VITARICH CORPORATION	VITA	1.00
PHILIPPINE NATIONAL BANK	PNB	40.00	<i>HOLDING FIRMS</i>		
PHILIPPINE SAVINGS BANK	PSB	10.00	A BROWN COMPANY, INC.	BRN	1.00
PHILIPPINE TRUST COMPANY	PTC	10.00	A. SORIANO CORPORATION	ANS	1.00
PRUDENTIAL BANK	PB	100.00	ABACUS CONS. RESOURCES & HOLDINGS, INC. "A"	ABA	1.00
RIZAL COMM'L BANKING CORPORATION	RCB	10.00	ABACUS CONS. RESOURCES & HOLDINGS, INC. "B"	ABAB	1.00
SECURITY BANK CORPORATION	SECB	10.00	ABOITIZ EQUITY VENTURES, INC.	AEV	1.00
UNION BANK OF THE PHILIPPINES	UBP	10.00	AJO.NET HOLDINGS, INC.	AJO	1.00
<i>FINANCIAL SERVICES</i>			ALCORN GOLD RESOURCES CORPORATION	AFM	0.01
BANKARD, INC.	BKD	1.00	ALLIANCE GLOBAL GROUP, INC.	AGI	1.00
FILIPINO FUND, INC.	FFI	1.00	ALSONS CONSOLIDATED RESOURCES, INC.	ACR	1.00
FIRST ABACUS FINANCIAL HOLDINGS CORP.	FAF	1.00	ANGLO-PHILIPPINE HOLDINGS CORPORATION	APO	1.00
FIRST METRO INVESTMENT CORPORATION	FMIC	100.00	APC GROUP, INC.	APC	1.00
MANULIFE FINANCIAL CORPORATION	MFC	-	ASIA AMALGAMATED HOLDINGS CORPORATION	AAA	1.00
PCI LEASING & FINANCE, INC.	PCIL	1.00	ATN HOLDINGS, INC. "A"	ATN	1.00
SUN LIFE FINANCIAL SERVICES OF CANADA INC.	SLF	-	ATN HOLDINGS, INC. "B"	ATNB	1.00
COMMERCIAL - INDUSTRIAL			ATOK-BIG WEDGE COMPANY, INC. "A"	AB	1.00
<i>COMMUNICATION</i>			ATOK-BIG WEDGE COMPANY, INC. "B"	ABB	1.00
ABS-CBN BROADCASTING CORPORATION	ABS	1.00	AYALA CORPORATION	AC	1.00
DIGITAL TELECOMMUNICATIONS PHILS., INC.	DGTL	1.00	BACNOTAN CONSOLIDATED INDUSTRIES, INC.	BCI	10.00
DIVERSIFIED FINANCIAL NETWORK, INC.	DFNN	1.00	BAGUIO GOLD HOLDINGS CORPORATION	B	1.00
EASYPHONE COMMUNICATIONS PHILIPPINES, INC.	ECP	1.00	BALABAC RESOURCES & HOLDINGS CO., INC.	BAL	1.00
GLOBE TELECOM, INC.	GLO	50.00	BASIC CONSOLIDATED, INC.	BSC	1.00
IPEOPLE, INC.	IPO	1.00	BENPRES HOLDINGS CORPORATION	BPC	1.00
ISLAND INFORMATION AND TECHNOLOGY, INC.	IS	0.01	BHI HOLDINGS, INC.	BH	100.00
ISM COMMUNICATIONS CORPORATION	ISM	0.01	BOULEVARD HOLDINGS, INC.	BHI	1.00
IVANTAGE CORPORATION	V	1.00	CROWN EQUITIES, INC.	CEI	1.00
LIBERTY TELECOMS HOLDINGS, INC.	LIB	1.00	DMCI HOLDINGS, INC.	DMC	1.00
MANILA BROADCASTING COMPANY	MB	1.00	EAST ASIA POWER RESOURCES CORPORATION	PWR	1.00
MANILA BULLETIN PUBLISHING CORP.	MB	1.00	EBECOM HOLDINGS, INC.	EBE	1.00
PHILIPPINE LONG DISTANCE TEL. CO. "Common"	TEL	5.00	EVER GOTESCO RESOURCES & HOLDINGS, INC.	EVER	1.00
PHILIPPINE TELEGRAPH & TELEPHONE CORP.	PTT	1.00	F & J PRINCE HOLDINGS CORPORATION "A"	FJP	1.00
PHILSTAR.COM, INC.	STAR	1.00	F & J PRINCE HOLDINGS CORPORATION "B"	FJPB	1.00
PHILWEB CORPORATION	WEB	0.01	FIL-ESTATE CORPORATION	FC	1.00
PILIPINO TELEPHONE CORPORATION	PLTL	1.00	FIL-HISPANO HOLDINGS CORPORATION	FH	1.00
<i>POWER AND ENERGY</i>			FILINVEST DEVELOPMENT CORPORATION	FDC	1.00
MANILA ELECTRIC COMPANY "A"	MER	10.00	FIRST PHILIPPINE HOLDINGS CORPORATION	FPH	10.00
MANILA ELECTRIC COMPANY "B"	MERB	10.00	FORUM PACIFIC, INC.	FPI	1.00
PETRON CORPORATION	PCOR	1.00	GLOBAL BUSINESS HOLDINGS, INC.	GBH	50.00
SALCON POWER CORPORATION	SPC	1.00	GLOBAL EQUITIES, INC.	GEI	1.00
TRANS-ASIA OIL & ENERGY DEVELOPMENT CORP.	TA	1.00	HOUSE OF INVESTMENTS, INC.	HI	2.00
<i>TRANSPORTATION SERVICES</i>			IONICS, INC.	ION	1.00
ASIAN TERMINALS, INC.	ATI	1.00	JG SUMMIT HOLDINGS, INC.	JGS	1.00
INT'L CONTAINER TERMINAL SERVICES, INC.	ICT	1.00	JOLLIVILLE HOLDINGS CORPORATION	JOH	1.00
KEPPEL PHILIPPINES MARINE, INC.	KPM	1.00	KEPPEL PHILIPPINES HOLDINGS, INC. "A"	KPH	1.00
LORENZO SHIPPING CORPORATION	LSC	1.00	KEPPEL PHILIPPINES HOLDINGS, INC. "B"	KPHB	1.00
NEGROS NAVIGATION COMPANY, INC.	NN	1.00	MABUHAY HOLDINGS CORPORATION	MHC	1.00
WILLIAM, GOTHONG & ABOITIZ, INC.	WGA	1.00	MACROASIA CORPORATION	MAC	1.00
<i>CONSTRUCTION & OTHER RELATED PRODUCTS</i>			MAGNUM HOLDINGS, INC.	MHI	1.00
AGP INDUSTRIAL CORPORATION "A" *	AGP	6.00	MARSTEEL CONSOLIDATED, INC. "A"	MC	0.01
AGP INDUSTRIAL CORPORATION "B" *	AGPB	6.00	MARSTEEL CONSOLIDATED, INC. "B"	MCB	0.01
CONCRETE AGGREGATES CORPORATION "A"	CA	10.00	MEDCO HOLDINGS, INC.	MED	1.00
CONCRETE AGGREGATES CORPORATION "B"	CAB	10.00	MEGAWORLD CORPORATION	MEG	1.00
EEI CORPORATION	EEI	1.00	METRO PACIFIC CORPORATION	MPC	1.00
FORTUNE CEMENT CORPORATION	FCC	1.00	MBF, INC.	MBF	1.00
MARIWASA MANUFACTURING CORPORATION	MMI	1.00	MIC HOLDINGS CORPORATION	MET	100.00
NASIPIT LUMBER COMPANY, INC. "A" *	NAS	100.00	MULTITECH INVESTMENTS CORPORATION	MIC	1.00
NASIPIT LUMBER COMPANY, INC. "B" *	NASB	100.00	MUSIC CORPORATION	MUSX	1.00
PHILIPPINE NATIONAL CONSTRUCTION CORPORATION *	PNC	10.00	NEXTSTAGE, INC.	NXT	1.00
REPUBLIC CEMENT CORPORATION	RCM	1.00	PHILCOMSAT HOLDINGS CORPORATION	PHC	1.00
REPUBLIC GLASS HOLDINGS CORPORATION	REG	1.00	PHILTREAD HOLDINGS CORPORATION	PTR	1.00
SANITARY WARES MANUFACTURING CORP.	SWM	1.00	PRIME ORION PHILIPPINES, INC.	POPI	1.00
UNION CEMENT CORPORATION	UCC	1.00	ROXAS HOLDINGS, INC.	ROX	1.00
<i>FOOD, BEVERAGE & TOBACCO</i>			SEAFRONT RESOURCES CORPORATION	SFM	1.00
ALASKA MILK CORPORATION	AMC	1.00	SOLID GROUP, INC.	SGI	1.00
COSMOS BOTTLING CORPORATION	CBC	1.00	SOUTHEAST ASIA CEMENT HOLDINGS, INC.	CMT	1.00
JOLLIBEE FOODS CORPORATION	JFC	1.00	TANDUAY HOLDINGS, INC.	TDY	1.00
			UNIOIL RESOURCES & HOLDINGS COMPANY, INC.	UNI	1.00
			UNIWIDE HOLDINGS, INC.	UW	1.00
			WATERFRONT PHILIPPINES, INC.	WPI	1.00
			WELLEX INDUSTRIES, INC. *	WIN	1.00
			WISE HOLDINGS, INC. "A" *	WHI	1.00
			WISE HOLDINGS, INC. "B" *	WHIB	1.00
			ZEUS HOLDINGS, INC.	ZHI	1.00

COMPANY/ISSUE	STOCK SYMBOL	PAR VALUE
MANUFACTURING, DIST'N & TRADING		
ACTIVE ALLIANCE, INC.	AAI	1.00
BOGO MEDELLIN MILLING COMPANY	BVM	10.00
CENTRAL AZUCARERA DE LA CARLOTA	CAC	1.00
CENTRAL AZUCARERA DE TARLAC	CAT	10.00
CHEMICAL INDUSTRIES OF THE PHILIPPINES	CIP	10.00
CORRO-COAT, INC.	COAT	1.00
EURO-MED LABORATORIES PHILS., INC.	EURO	1.00
FEDERAL CHEMICALS, INC.	FED	1.00
FILSYN CORPORATION "A" *	FYN	5.00
FILSYN CORPORATION "B" *	FYNB	5.00
INTERPHIL LABORATORIES, INC. "A"	ILI	1.00
INTERPHIL LABORATORIES, INC. "B"	ILIB	1.00
JARDINE DAVIES INC.	JDI	4.00
LMG CHEMICALS CORPORATION	LMG	1.00
MABUHAY VINYL CORPORATION	MVC	1.00
MACONDRAY PLASTICS, INC.	MRAY	1.00
MATSUSHITA ELECTRIC PHILIPPINES CORP.	MEP	1.00
METRO ALLIANCE HOLDINGS & EQUITIES CORP. "A"	MAH	1.00
METRO ALLIANCE HOLDINGS & EQUITIES CORP. "B"	MAHB	1.00
PHILIPPINE SEVEN CORPORATION *Common	SEVN	1.00
PICOP RESOURCES, INC.	PCP	1.00
PRIME GAMING PHILIPPINES, INC.	PGPI	10.00
PRYCE CORPORATION	PPC	1.00
REYNOLDS PHILIPPINES CORPORATION *	RPC	1.00
SPI TECHNOLOGIES, INC.	SPI	1.00
STENIEL MANUFACTURING CORPORATION	STN	1.00
VICTORIAS MILLING COMPANY, INC. *	VMC	10.00
HOTEL, RECREATION & OTHER SERVICES		
ACESITE (PHILS.) HOTEL CORPORATION	DHC	1.00
BELLE CORPORATION	BEL	1.00
FAIRMONT HOLDINGS, INC.	FAIR	1.00
GRAND PLAZA HOTEL CORPORATION	GPH	10.00
LEISURE & RESORTS WORLD CORPORATION	FER	1.00
MANILA JOCKEY CLUB, INC.	MJC	1.00
MONDRAGON INTERNATIONAL PHILS., INC.	MON	1.00
PHILIPPINE RACING CLUB, INC.	PRC	1.00
PREMIERE ENTERTAINMENT PRODUCTIONS, INC.	PEP	1.00
OTHERS		
CENTRO ESCOLAR UNIVERSITY	CEU	1.00
FAR EASTERN UNIVERSITY, INC.	FEU	100.00
PREFERRED		
ALLIED BANKING CORP. - 15% Cum. Convertible Pref. A	ABC	1,000
BANCO FIL. SAVINGS & MORTGAGE BANK - 15 1/2% Cum. Conv. Pref. *	BFC	100.00
BANCO FIL. SAVINGS & MORTGAGE BANK - 15 1/2% Cum. Non-Conv. Pref. *	BFNC	100.00
BENGUET CORP. - 8% Cumulative Convertible Pref. A	BCP	3.44
CENTRAL AZUCARERA DE LA CARLOTA - Conv. Pref. B	CACP	1.00
COSMOS BOTTLING CORP. - 5% Convertible Pref.	CBCP	1.00
DMCI HOLDINGS, INC. - Cumulative Convertible Pref.	DMCP	1.00
GLOBE TELECOM, INC. - Preferred A	GLO-PA	5.00
PLDT 10% Cumulative Convertible Pref. Series A	TELA	10.00
PLDT 10% Cumulative Convertible Pref. Series B	TELB	10.00
PLDT 10% Cumulative Convertible Pref. Series C	TELC	10.00
PLDT 10% Cumulative Convertible Pref. Series D	TELD	10.00
PLDT 10% Cumulative Convertible Pref. Series E	TELE	10.00
PLDT 10% Cumulative Convertible Pref. Series F	TELF	10.00
PLDT 10% Cumulative Convertible Pref. Series G	TELG	10.00
PLDT 10% Cumulative Convertible Pref. Series H	TELH	10.00
PLDT 10% Cumulative Convertible Pref. Series I	TELI	10.00
PLDT 10% Cumulative Convertible Pref. Series J	TELJ	10.00
PLDT 10% Cumulative Convertible Pref. Series K	TELK	10.00
PLDT 10% Cumulative Convertible Pref. Series L	TELL	10.00
PLDT 10% Cumulative Convertible Pref. Series M	TELM	10.00
PLDT 10% Cumulative Convertible Pref. Series N	TELN	10.00
PLDT 10% Cumulative Convertible Pref. Series O	TELO	10.00
PLDT 10% Cumulative Convertible Pref. Series P	TELP	10.00
PLDT 10% Cumulative Convertible Pref. Series Q	TELQ	10.00
PLDT 10% Cumulative Convertible Pref. Series R	TELR	10.00
PLDT 10% Cumulative Convertible Pref. Series S	TELS	10.00
PLDT 10% Cumulative Convertible Pref. Series T	TELT	10.00
PLDT 10% Cumulative Convertible Pref. Series U	TELU	10.00
PLDT 10% Cumulative Convertible Pref. Series V	TELV	10.00
PLDT 10% Cumulative Convertible Pref. Series W	TELW	10.00
PLDT 10% Cumulative Convertible Pref. Series X	TELX	10.00
PLDT 10% Cumulative Convertible Pref. Series Y	TELY	10.00
PLDT 10% Cumulative Convertible Pref. Series Z	TELZ	10.00
PLDT 10% Cumulative Convertible Pref. Series AA	TAA	10.00
PLDT 10% Cumulative Convertible Pref. Series BB	TBB	10.00
PLDT 10% Cumulative Convertible Pref. Series CC	TCC	10.00
SEMIRARA MINING CORP. - 16% Cumulative Pref.	SCCP	10,000
SWIFT FOODS, INC. - Convertible Pref.	SFIP	1.00
WARRANTS, PHIL. DEPOSIT RECEIPTS, ETC.		
ABS-CBN HOLDINGS CORP. Phil. Deposit Receipts	ABSP	-
EASYPHONE COMMUNICATIONS PHILIPPINES, INC. - Warrants	ECPW	-
F & J PRINCE HOLDINGS CORP. - First Tranche "A" Warrants 2007	FJPAW1	-
F & J PRINCE HOLDINGS CORP. - First Tranche "B" Warrants 2007	FJPBW1	-

COMPANY/ISSUE	STOCK SYMBOL	PAR VALUE
MACROASIA CORPORATION - Warrants 2005	MACW	-
PHILIPPINE BANK OF COMMUNICATION - Warrants 2004	PBCW	-
PHILIPPINE NATIONAL BANK - Warrants 2005	PNBW2	-
PHILWEB CORPORATION - Warrants 2004	WEBW	-
QUEENBEE RESOURCES CORP. - Jollibee Foods Corp. Warrants 2003	JFCW	-
PROPERTY		
ARANETA PROPERTIES, INC.	ARA	1.00
AYALA LAND, INC.	ALI	1.00
C & P HOMES, INC.	CMP	1.00
CEBU HOLDINGS, INC.	CHI	1.00
CEBU PROPERTY VENTURE & DEV'T CORP. "A"	CPV	1.00
CEBU PROPERTY VENTURE & DEV'T CORP. "B"	CPVB	1.00
CITY & LAND DEVELOPERS, INC.	LAND	1.00
CITYLAND DEVELOPMENT CORPORATION	CDC	1.00
CYBERBAY CORPORATION	CYBR	1.00
EDSA PROPERTIES HOLDINGS, INC.	EPHI	1.00
EIB REALTY DEVELOPERS, INC.	EIBR	1.00
EMPIRE EAST LAND HOLDINGS, INC.	ELI	1.00
FIL-ESTATE LAND, INC.	LND	1.00
FILINVEST LAND, INC.	FLI	1.00
GOTESCO LAND, INC. "A"	GO	1.00
GOTESCO LAND, INC. "B"	GOB	1.00
HIGHLANDS PRIME, INC.	HP	1.00
KEPPEL PHILIPPINES PROPERTIES, INC.	KEP	1.00
KUOK PHIL. PROPERTIES, INC.	KPP	1.00
MRC ALLIED INDUSTRIES, INC.	MRC	1.00
PHILIPPINE ESTATES CORPORATION	PHES	1.00
PHILIPPINE REALTY & HOLDINGS CORPORATION *	RLT	1.00
PRIMETOWN PROPERTY GROUP, INC.	PMT	1.00
PRIMEX CORPORATION	PRMX	1.00
ROBINSON'S LAND CORPORATION	RLC	1.00
SAN MIGUEL PROPERTIES, INC.	SMP	10.00
SM DEVELOPMENT CORPORATION	SMDC	1.00
SM PRIME HOLDINGS, INC.	SMPH	1.00
UNIVERSAL RIGHTFIELD PROPERTY HOLDINGS, INC. *	UP	1.00
ZIPPORAH REALTY HOLDINGS, INC.	ZIP	1.00
MINING		
ABRA MINING & INDUSTRIAL CORPORATION	AR	0.01
APEX MINING COMPANY, INC. "A"	APX	1.00
APEX MINING COMPANY, INC. "B"	APXB	1.00
ATLAS CONSOLIDATED MINING & DEV'T CORP.	AT	10.00
BENGUET CORPORATION "A"	BC	3.00
BENGUET CORPORATION "B"	BCB	3.00
CITY RESOURCES (PHILS.) CORPORATION *	CRC	1.00
DIZON COPPER SILVER MINES, INC.	DIZ	1.00
LEPANTO CONSOLIDATED MINING COMPANY "A"	LC	0.10
LEPANTO CONSOLIDATED MINING COMPANY "B"	LCB	0.10
LODESTAR MINING CORPORATION "A" *	LMC	1.00
LODESTAR MINING CORPORATION "B" *	LMCB	1.00
MANILA MINING CORPORATION "A"	MA	0.01
MANILA MINING CORPORATION "B"	MAB	0.01
OMICO CORPORATION	OM	0.01
PHILEX MINING CORPORATION "A"	PX	1.00
PHILEX MINING CORPORATION "B"	PXB	1.00
POLAR MINES & DEVELOPMENT CORPORATION	PO	0.01
SEMIRARA MINING CORPORATION *Common	SCC	1.00
UEM DEVELOPMENT PHILS., INC. *	MK	1.00
UNITED PARAGON MINING CORPORATION	UPM	1.00
OIL		
IMPERIAL RESOURCES, INC. "A"	IMP	0.01
IMPERIAL RESOURCES, INC. "B"	IMPB	0.01
INTERPORT RESOURCES CORPORATION "A"	IRC	0.01
INTERPORT RESOURCES CORPORATION "B"	IRCB	0.01
LANDOIL RESOURCES CORPORATION "A" *	LRC	0.01
LANDOIL RESOURCES CORPORATION "B" *	LRCB	0.01
ORIENTAL PETROLEUM & MINERAL CORP. "A"	OPM	0.01
ORIENTAL PETROLEUM & MINERAL CORP. "B"	OPMB	0.01
PACIFICA, INC. "A"	PA	0.005
PACIFICA, INC. "B"	PAB	0.005
PNOC EXPLORATION CORPORATION "A"	PEC	1.00
PNOC EXPLORATION CORPORATION "B"	PECB	1.00
SINOPHIL CORPORATION	SINO	1.00
SOUTH CHINA RESOURCES, INC.	SOC	1.00
THE PHILODRILL CORPORATION "A"	OV	1.00
THE PHILODRILL CORPORATION "B"	OVB	1.00
VULCAN INDUSTRIAL & MINING CORPORATION	VUL	1.00
SMALL AND MEDIUM ENTERPRISES		
SOL'WIZARD, INC.	WIZ	1.00
GOVERNMENT SECURITIES		
SMALL DENOMINATED TREASURY BONDS	SDT0704	-

Note: * - Trading Suspended/Halted

Management Team

ED P. OCAMPO
SENIOR VICE-PRESIDENT
CHIEF TECHNOLOGY OFFICER



ERNEST C. LEUNG
PRESIDENT



ATTY. JOSE G. CERVANTES
SENIOR VICE-PRESIDENT
OIC, LISTINGS AND DISCLOSURE GROUP



ZAYBER B. PROTACIO
VICE-PRESIDENT
GENERAL COUNSEL



CORAZON A. PADUA
VICE-PRESIDENT



MARIE U. TAN
VICE-PRESIDENT
FINANCE AND INVESTMENTS GROUP



IMELDA G. NIBUNGCO
VICE-PRESIDENT
HUMAN RESOURCES MANAGEMENT
DEPARTMENT



EFREN C. SIRON
ASST. VICE-PRESIDENT
AUTOMATED TRADING GROUP



BACK - From L to R : ARIEL B. LAMPANO, Head - TRADING OPERATIONS, PSE Plaza; RICKY L. GONZALES, Head - ADMINISTRATION DEPARTMENT; ATTY. MANUEL L. LOPEZ, Head - COMPLIANCE AND SURVEILLANCE GROUP; CARLO LUARTE, Head - TRADING Operations, PSE Teksik; RAUL G. ORTIZ, Head - TRADING AND SETTLEMENT DEPARTMENT; MANDY AUSTRIA, Head - PSE TRAINING INSTITUTE

FRONT - From L to R : TRISHA M. ZAMESA, Head - DISCLOSURE DEPARTMENT; MARIFLOR FRANCE P. REYES, OIC - BUSINESS DEVELOPMENT DEPARTMENT; MA. ISABEL T. GARCIA, Head - LISTINGS DEPARTMENT; ELIZABETH C. DINOY, Head - MEMBERSHIP DEPARTMENT



FINANCIAL HIGHLIGHTS

IN THOUSAND PESOS

	Group			Parent		
	2002	2001	Change	2002	2001	Change
RESULTS OF OPERATIONS:						
Total Revenues	159,491	160,357	(1)	158,177	158,591	(0)
Listing Fees	122,310	113,213	8	122,310	113,213	8
Subscription Fees	6,448	17,216	(63)	6,448	17,216	(63)
Data Feed Income	14,870	14,733	1	14,870	14,733	1
Total Operating Expenses	175,272	191,551	(8)	164,197	175,927	(7)
Income (Loss) from Operations	(15,780)	(31,194)	(49)	(6,020)	(17,336)	(65)
Non-Operating Income-net	49,656	55,460	(10)	44,402	48,008	(8)
Net Income After Tax	27,964	18,294	53	27,964	18,294	53
YEAR-END FINANCIAL CONDITION:						
Total Assets	1,281,645	1,254,231	2	1,036,220	1,019,854	2
Cash and Short Term Cash Investments	161,195	416,083	(61)	153,050	406,479	(62)
Property and Equipment	348,767	370,065	(6)	348,500	369,003	(6)
Total Liabilities	274,779	270,858	1	38,018	49,617	(23)
Due to SEC	6,448	16,189	(60)	6,448	16,189	(60)
Clearing and Trade Guarantee Fund	221,919	206,040	8	-	-	
Stockholders' Equity	998,202	970,237	3	998,202	970,237	3

REPORT OF INDEPENDENT AUDITORS

**The Board of Directors
The Philippine Stock Exchange, Inc.**

We have audited the accompanying balance sheets of The Philippine Stock Exchange, Inc. and Subsidiary (the Group) and of The Philippine Stock Exchange, Inc. (the Parent Company) as of December 31, 2002 and 2001, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Group and of the Parent Company as of December 31, 2002 and 2001, and the results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the Philippines.

Atty. Romeo Velasco & Co.

PTR No. 7612544
January 2, 2003
Makati City

January 24, 2003

THE PHILIPPINE STOCK EXCHANGE, INC. AND SUBSIDIARY
BALANCE SHEETS

	Group		Parent Company	
	December 31			
	2002	2001	2002	2001
ASSETS				
Current Assets				
Cash and cash equivalents (Note 3)	₱31,148,575	₱40,873,387	₱25,003,658	₱34,571,344
Short-term investments	130,046,315	375,210,048	128,046,315	371,907,591
Accounts receivable - net (Notes 4 and 19)	25,257,880	15,806,361	25,757,668	15,799,115
Other current assets - net (Note 5)	16,053,726	24,105,634	14,846,509	22,878,763
Total Current Assets	202,506,496	455,995,430	193,654,150	445,156,813
Equity Investments (Note 6)	58,480,354	62,522,747	67,498,245	76,195,109
Long-term Investments (Note 7)	333,410,218	10,000,000	333,410,218	10,000,000
Investments of:				
Clearing and Trade Guaranty Fund (Note 11)	221,919,126	206,040,271	—	—
Credit Ring Agreement Fund (Note 12)	10,000,000	10,000,000	—	—
Property and Equipment - net (Note 8)	348,766,657	370,065,042	348,500,474	369,003,237
Other Assets - net (Note 9)	106,562,397	139,607,951	93,156,436	119,499,009
	₱1,281,645,248	₱1,254,231,441	₱1,036,219,523	₱1,019,854,168
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts payable, accrued expenses and other current liabilities (Note 10)	₱40,283,972	₱53,170,461	₱35,441,620	₱47,969,649
Income tax payable	2,576,277	1,647,206	2,576,277	1,647,206
Total Current Liabilities	42,860,249	54,817,667	38,017,897	49,616,855
Clearing and Trade Guaranty Fund (Note 11)	221,919,126	206,040,271	—	—
Credit Ring Agreement Fund (Note 12)	10,000,000	10,000,000	—	—
	231,919,126	216,040,271	—	—
Minority Interest in a Subsidiary	8,664,247	13,136,190	—	—
Stockholders' Equity				
Capital stock (Note 1)	9,200,000	9,200,000	9,200,000	9,200,000
Additional paid-in capital (Note 1)	277,426,988	277,426,988	277,426,988	277,426,988
Donated capital (Note 13)	377,157,404	377,157,404	377,157,404	377,157,404
Retained earnings	334,417,234	306,452,921	334,417,234	306,452,921
	998,201,626	970,237,313	998,201,626	970,237,313
	₱1,281,645,248	₱1,254,231,441	₱1,036,219,523	₱1,019,854,168

See accompanying Notes to Financial Statements.

THE PHILIPPINE STOCK EXCHANGE, INC. AND SUBSIDIARY
STATEMENTS OF INCOME

	Group		Parent Company	
	Years Ended December 31			
	2002	2001	2002	2001
OPERATING INCOME				
Listing related income:				
Listing fees	₱122,309,702	₱113,212,910	₱122,309,702	₱113,212,910
Processing fees	690,000	691,000	690,000	691,000
Membership fees (Note 19):				
Subscription	6,447,500	17,215,635	6,447,500	17,215,635
Processing	4,539,170	626,235	4,539,170	626,235
Membership assessment	1,606,980	1,544,350	1,606,980	1,544,350
Entrance	470,000	1,720,000	470,000	1,720,000
Data feed	14,869,736	14,733,301	14,869,736	14,733,301
Service fees	1,262,791	1,497,183	-	-
Miscellaneous (Note 19)	7,295,534	9,116,783	7,244,226	8,847,175
	159,491,413	160,357,397	158,177,314	158,590,606
OPERATING EXPENSES				
Compensation and other related staff expenses (Note 14)	62,766,225	61,475,913	60,037,772	57,089,063
Occupancy costs, excluding depreciation and amortization (Note 16)	35,599,558	31,100,153	35,365,194	30,749,592
Depreciation and amortization (Note 8)	34,753,784	36,500,106	33,958,162	33,986,707
Professional fees	6,798,379	6,450,519	6,564,379	6,040,519
Amortization of preoperating expenses	6,702,981	6,702,981	-	-
Provision for probable losses (Note 4)	5,791,347	9,778,060	5,791,347	9,778,060
Trading technology, computer maintenance and other trading-related expenses	5,679,335	4,806,625	5,715,993	4,696,242
Office expenses	4,643,729	2,219,229	4,330,280	1,903,744
Taxes and licenses	3,581,136	8,848,265	3,547,659	8,817,547
Membership development	2,644,003	5,043,074	2,644,003	5,043,074
Travel and transportation	1,721,918	1,573,625	1,710,180	1,563,889
Representation and entertainment	724,203	2,414,836	704,935	2,388,205
Conferences, meetings and seminars	662,167	927,234	657,493	909,906
Market development	1,723,635	8,653,936	1,723,635	8,653,936
Miscellaneous	1,479,405	5,056,784	1,446,279	4,306,625
	175,271,805	191,551,340	164,197,311	175,927,109
LOSS FROM OPERATIONS	15,780,392	31,193,943	6,019,997	17,336,503
NON-OPERATING INCOME - Net				
(Note 17)	49,655,710	55,459,621	44,402,278	48,007,961
INCOME BEFORE MINORITY INTEREST IN NET LOSS OF A SUBSIDIARY	33,875,318	24,265,678	38,382,281	30,671,458
MINORITY INTEREST IN NET LOSS OF A SUBSIDIARY	4,471,943	6,088,965	-	-
INCOME BEFORE INCOME TAX	38,347,261	30,354,643	38,382,281	30,671,458
PROVISION FOR INCOME TAX				
(Note 18)	10,382,948	12,060,702	10,417,968	12,377,517
NET INCOME	₱27,964,313	₱18,293,941	₱27,964,313	₱18,293,941

See accompanying Notes to Financial Statements.

THE PHILIPPINE STOCK EXCHANGE, INC. AND SUBSIDIARY
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Years Ended December 31	
	2002	2001
CAPITAL STOCK - ₱1 par value (Note 1)		
Authorized - 36,800,000 shares		
Issued - 9,200,000 shares	₱9,200,000	₱9,200,000
ADDITIONAL PAID-IN CAPITAL		
Transfer from membership contributions (Note 1)	277,426,988	277,426,988
DONATED CAPITAL (Note 13)		
	377,157,404	377,157,404
RETAINED EARNINGS		
Balance at beginning of year	306,452,921	288,158,980
Net income	27,964,313	18,293,941
Balance at end of year	334,417,234	306,452,921
	₱998,201,626	₱970,237,313

See accompanying Notes to Financial Statements.

THE PHILIPPINE STOCK EXCHANGE, INC. AND SUBSIDIARY
STATEMENTS OF CASH FLOWS

	Group		Parent Company	
	Years Ended December 31			
	2002	2001	2002	2001
CASH FLOWS FROM OPERATING				
ACTIVITIES				
Income before income tax	₱38,347,261	₱30,354,643	₱38,382,281	₱30,671,458
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:				
Interest income	(45,699,821)	(45,481,303)	(45,100,860)	(44,367,138)
Depreciation and amortization	34,753,784	36,500,106	33,958,162	33,986,707
Amortization of preoperating expenses	6,702,981	6,702,981	–	–
Provisions for:				
Probable losses	5,791,347	9,778,060	5,791,347	9,778,060
Decline in value of club membership	2,428,000	–	2,428,000	–
Minority interest in net loss of a subsidiary	(4,471,943)	(6,088,965)	–	–
Equity in net losses	4,042,393	12,342,620	8,696,864	18,680,114
Interest expense	–	647,940	–	647,940
Reversal of provision for probable losses on money market placement with a rehabilitated bank	–	(26,577,785)	–	(26,577,785)
Operating income before working capital changes	41,894,002	18,178,297	44,155,794	22,819,356
Changes in operating assets and liabilities:				
Decrease (increase) in amounts of:				
Accounts receivable	(19,042,174)	18,625,251	(15,749,900)	20,099,323
Other current assets	9,431,838	(1,193,046)	4,419,618	(1,139,761)
Other assets	23,914,573	(10,022,712)	25,093,023	(10,065,389)
Decrease in amounts of accounts payable, accrued expenses and other current liabilities	(12,886,489)	(27,311,293)	(12,528,029)	(30,110,230)
Net cash generated from (used in) operations	43,311,750	(1,723,503)	45,390,506	1,603,299
Interest received	49,499,129	43,376,533	48,713,496	42,363,532
Income taxes paid	(10,833,807)	(40,351,292)	(10,667,347)	(40,148,692)
Interest paid	–	(647,940)	–	(647,940)
Net cash provided by operating activities	81,977,072	653,798	83,436,655	3,170,199
CASH FLOWS FROM INVESTING				
ACTIVITIES				
Decrease (increase) in amounts of:				
Short-term investments	245,163,733	(56,819,513)	243,861,276	(60,701,944)
Long-term investments	(323,410,218)	(10,000,000)	(323,410,218)	(10,000,000)
Acquisitions of property and equipment	(13,455,399)	(15,082,199)	(13,455,399)	(14,821,710)
Net cash used in investing activities	(91,701,884)	(81,901,712)	(93,004,341)	(85,523,654)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,724,812)	(81,247,914)	(9,567,686)	(82,353,455)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	40,873,387	122,121,301	34,571,344	116,924,799
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱31,148,575	₱40,873,387	₱25,003,658	₱34,571,344

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Organization

The Philippine Stock Exchange, Inc. (the Parent Company) was incorporated in the Philippines on July 14, 1992 as a non-stock corporation, the primary purpose of which is to provide and maintain a convenient and suitable market for the exchange, purchase and sale of all types of securities and other instruments.

Republic Act (RA) No. 8799 entitled “Securities Regulation Code” (SRC) prescribed the conversion of the Parent Company into a stock corporation (demutualization) on August 8, 2001, pursuant to a conversion plan approved by the Securities and Exchange Commission (SEC).

The salient features of the demutualization plan approved by the SEC on August 3, 2001 include, among others, the following:

- a. Conversion of the Parent Company into a stock corporation by amending its Articles of Incorporation and By-laws;
- b. Subscription of each member of 50,000 shares at 1 per share. The remaining balance of the Membership Contributions account of 277.4 million shall be treated as additional paid-in capital;
- c. Issuance of trading rights to members in recognition of the existing seat ownership by the members;
- d. Separation of ownership of shares and access to the trading facilities of the exchange. The trading rights shall be transferable without time limitation; and
- e. Imposition of a moratorium on the issuance of the new trading rights.

Pursuant to such demutualization plan, the amendment of the Articles of Incorporation was approved by the Board of Governors and the members on July 19, 2001 and July 20, 2001, respectively, to effect the conversion of the Parent Company from a non-stock corporation to a stock corporation with an authorized capital stock of 36.8 million divided into 36.8 million shares at a par value of 1 per share. As of July 20, 2001, 9.2 million shares were subscribed and paid. The SEC approved the amended Articles of Incorporation and By-laws on August 3, 2001.

Securities Clearing Corporation of the Philippines (SCCP), a majority-owned subsidiary, started its commercial operations on January 3, 2000 and was given a temporary license to operate by the SEC. On January 15, 2002, the SEC approved the SCCP’s request for a permanent license as a clearing agency subject to its compliance with the requirements of Section 42 of the SRC entitled “Registration of Clearing Agency”.

The registered office address of the Parent Company is Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City. As of December 31, 2002 and 2001, the Parent Company and SCCP (the Group) had 147 and 133 employees, respectively.

2. Summary of Significant Accounting Policies

Basis of Preparation and Presentation

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the Philippines (Philippine GAAP) and under the historical cost convention. The preparation of financial statements in accordance with Philippine GAAP requires the Group to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities. Management believes that actual results will not be materially different from those estimates.

The consolidated financial statements include the accounts of the Parent Company and its 51%-owned subsidiary, SCCP, after eliminating significant intercompany balances and transactions.

Adoption of New Accounting Standards

The Group adopted the following Statements of Financial Accounting Standards (SFAS)/International Accounting Standards (IAS) which became effective in 2002:

- a. SFAS 16/IAS 16, Property, Plant and Equipment;
- b. SFAS 24/IAS 24, Related Party Disclosures;
- c. SFAS 27/IAS 27, Consolidated Financial Statements and Accounting for Investments in Subsidiaries;
- d. SFAS 28/IAS 28, Accounting for Investments in Associates; and
- e. SFAS 36/IAS 36, Impairment of Assets.

The adoption of the new standards in 2002 did not result in restatement of prior year financial statements. Additional disclosures required by the new standards, however, were included in the prior year 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:

- a. SFAS 10/IAS 10, Events After the Balance Sheet Date, which prescribes the accounting and disclosure related to adjusting and non-adjusting subsequent events. The Group will adopt SFAS 10/IAS 10 in 2003 and, based on current circumstances, does not believe the effect of adoption will be material to the financial statements.
- b. SFAS 17/IAS 17, Leases, which prescribes the accounting policies and disclosures applicable to finance and operating leases. The Group will adopt SFAS 17/IAS 17 in 2003 and, based on current circumstances, does not believe the effect of adoption will be material to the financial statements.
- c. SFAS 37/IAS 37, Provisions, Contingent Liabilities and 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. The Group will adopt SFAS 37/IAS 37 in 2003 and, based on current circumstances, does not believe the effect of adoption will be material to the financial statements.

- d. 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. The Group will adopt SFAS 38/IAS 38 in 2003. This will result in a retroactive adjustment to beginning retained earnings in 2003 of about 13.4 million relating to the write-off of preoperating expenses of SCCP. Comparative prior period financial statements presented will be restated accordingly.

Cash Equivalents/Short-term Investments

Short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value are classified as cash equivalents, while those with maturities of more than three months to twelve months are classified separately as short-term investments.

Accounts Receivable

Accounts receivable are stated at face value less allowance for doubtful accounts. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potential uncollectibility of the receivables. Management evaluates the level of this allowance based on the factors that affect the collectibility of the accounts. A review of the age and status of receivables, designed to identify accounts to be provided with allowance, is made by the Group on a continuing basis.

Equity Investments

Equity investments in companies in which the Parent Company's percentage of ownership is 20% or more or where significant influence is exercised are accounted for under the equity method. Under the equity method, the cost of the investments is increased or decreased by the equity in net income or losses of the investees since dates of acquisition. Dividends received are treated as a reduction from the carrying value of such investments.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Depreciation is computed using the straight-line method over the estimated useful life of the asset, as follows:

	Years
Buildings	25
Trading system equipment	2
Building improvements	10
Computer hardware and peripherals	2 to 5
Furniture and fixtures	1 to 5
Office and communication equipment	5
Transportation equipment	5
Others	1

The cost of leasehold improvement is amortized over the shorter of the covering lease term or the estimated useful life of the improvement.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Cost of minor repairs and maintenance are charged to expense as incurred; significant renewals and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

Impairment of Assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of an asset, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss is credited to current operations, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is credited to the revaluation increment of the said asset.

Preoperating Expenses

Expenses incurred by SCCP prior to the start of its commercial operations have been capitalized and are amortized over a period of five years.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

Revenue Recognition

Revenue is recognized on the following bases:

- a. Membership fees and interest income are recognized on a time proportion basis;
- b. Listing, processing, data feed and service income are recognized when services are rendered; and
- c. Other income is recognized on an accrual basis.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reasonably measured.

Foreign Exchange Transactions

Foreign currency denominated assets and liabilities are translated using the Philippine Dealing System weighted average rate prevailing at balance sheet date. Foreign exchange gains or losses arising from foreign currency transactions and revaluation adjustments of foreign currency assets and liabilities are credited or charged to current operations.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the difference between the financial reporting bases of assets and liabilities and their related tax bases and for the carryforward benefits of the excess of minimum corporate income tax (MCIT) over regular corporate income tax and net operating loss carryover (NOLCO). Deferred tax assets and liabilities are measured using the tax rates applicable to taxable income in the years in which those temporary differences are expected to be recovered or settled, and MCIT and NOLCO are expected to be recovered or applied. A valuation allowance is provided for the portion of the deferred tax assets which is not expected to be realized in the future.

Retirement Expense

The Parent Company's retirement expense is actuarially determined using the projected unit credit method. This method reflects the services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Unrecognized experience adjustments and past service costs are amortized over the expected average remaining working life of the employees.

Actuarial gains and losses (if in excess of 10% of the present value of accrued benefit liability) are recognized over the expected average remaining working life of the employees.

SCCP provides for estimated retirement benefits required to be paid under RA No. 7641 to all employees. Normal cost is charged to current operations while past service cost is amortized over the average remaining working life of employees.

3. Cash and Cash Equivalents

This account consists of:

	Group		Parent Company	
	2002	2001	2002	2001
Cash on hand and in banks	₱19,493,923	₱25,858,822	₱19,349,006	₱25,556,779
Short-term investments	11,654,652	15,014,565	5,654,652	9,014,565
	₱31,148,575	₱40,873,387	₱25,003,658	₱34,571,344

4. Accounts Receivable

This account consists of receivables from:

	Group		Parent Company	
	2002	2001	2002	2001
Members	₱17,399,913	₱9,207,364	₱17,332,376	₱9,095,781
Listed companies	8,549,833	4,938,335	8,549,833	4,938,335
Data vendors	7,515,005	7,821,557	7,515,005	7,821,557
Others	7,420,446	4,442,165	7,987,771	4,546,502
	40,885,197	26,409,421	41,384,985	26,402,175
Less allowance for probable losses	15,627,317	10,603,060	15,627,317	10,603,060
	₱25,257,880	₱15,806,361	₱25,757,668	₱15,799,115

Under the Parent Company's rule, all trading rights are pledged at its full value to secure the payment of debts due to the Parent Company and other members of the Exchange arising out of or in connection with the present or future members' contracts. Based on the latest transaction in 2002, the market value of a trading right amounted to 12.0 million.

On September 25, 2002, the Parent Company's Board of Directors (BOD) approved the loan assistance program to members via a term loan of 0.5 million per member for a period of six months at a rate equivalent to that of the 91-day treasury bills prevailing at the time of the grant of the loan, subject to the availability of funds. The loans are secured by a pledge of 10,000 shares of stock of the Parent Company. As of December 31, 2002, the total amount of loans extended to members amounted to 9.5 million.

5. Other Current Assets

This account consists of:

	Group		Parent Company	
	2002	2001	2002	2001
Deferred tax assets - net (see Note 18)	₱9,526,553	₱8,188,011	₱8,388,573	₱7,204,843
Accrued interest receivable	4,312,409	8,111,717	4,267,969	7,880,605
Others	2,214,764	7,805,906	2,189,967	7,793,315
	₱16,053,726	₱24,105,634	₱14,846,509	₱22,878,763

Accrued interest receivable pertains to uncollected interest on short-term money market placements and long-term investments.

6. Equity Investments

This account consists of:	Group		Parent Company	
	2002	2001	2002	2001
Acquisition cost:				
Philippine Central Depository, Inc. (PCDI) (30%-owned)	₱75,000,000	₱75,000,000	₱75,000,000	₱75,000,000
SCCP (51%-owned)	–	–	25,500,000	25,500,000
	75,000,000	75,000,000	100,500,000	100,500,000
Accumulated equity in net loss:				
Balance at beginning of year	(16,771,253)	(4,428,633)	(28,598,891)	(9,918,777)
Equity in net loss for the year	(4,042,393)	(12,342,620)	(8,696,864)	(18,680,114)
Balance at end of year	(20,813,646)	(16,771,253)	(37,295,755)	(28,598,891)
	54,186,354	58,228,747	63,204,245	71,901,109
PCDI redeemable preferred shares	4,294,000	4,294,000	4,294,000	4,294,000
	₱58,480,354	₱62,522,747	₱67,498,245	₱76,195,109

The PCDI redeemable preferred shares have the following features:

- a. entitled to cumulative dividends from date of issuance equivalent to eight percent (8%) of the par value;
- b. redeemable at par value together with all accrued and unpaid dividends at the option of the holder beginning on the third anniversary until the fifth anniversary from the date of incorporation;
- c. convertible into common shares on the basis of one common share for every two preferred shares owned at the option of the holder beginning on the third anniversary from the date of incorporation;
- d. transferable only after being converted into common shares;
- e. entitled to vote collectively for one member of the PCDI's BOD; and
- f. entitled to full payment at par value, upon the dissolution of the PCDI prior to the payment of any amount on the common shares.

On September 25, 2002, the Parent Company's BOD authorized the acquisition of a clearing and settlement system for US\$0.8 million. The BOD further authorized the purchase of the shares of the minority interest in SCCP totaling 49% by exchanging and swapping such number of shares owned by the Parent Company in PCDI at fair value and without requiring cash outlay on the part of the Parent Company. In the event that the purchase of the shares of SCCP is not consummated, then the Parent Company may lease the clearing and settlement system to SCCP or operate it directly.

7. Long-term Investments

Long-term investments consist of small denominated treasury bonds, retail treasury bonds and fixed rate treasury notes totaling 245.5 million and 10.0 million in 2002 and 2001, respectively, and US dollar denominated bonds amounting to US\$1.7 million in 2002. These bonds will mature on various dates starting August 1, 2004.

Net realizable value of 339.8 million exceeds carrying value (at amortized cost) of 333.4 million as of December 31, 2002.

8. Property and Equipment

This account consists of:

Group

Cost	2001	Additions	Disposals	2002
Buildings	₱224,895,034	₱–	₱–	₱224,895,034
Trading system equipment	155,225,659	2,446,216	–	157,671,875
Building improvements	113,548,696	49,953	–	113,598,649
Computer hardware and peripherals	73,757,642	8,697,175	636,259	81,818,558
Furniture and fixtures	40,862,172	236,117	–	41,098,289
Office and communication equipment	7,948,503	392,277	–	8,340,780
Transportation equipment	6,343,364	1,622,545	48,091	7,917,818
Leasehold improvements	3,627,522	–	–	3,627,522
Others	1,531,566	11,116	–	1,542,682
	₱627,740,158	₱13,455,399	₱684,350	₱640,511,207

Accumulated Depreciation and Amortization

	2001	Depreciation and Amortization	Disposals	2002
Buildings	₱63,019,444	₱8,995,801	₱–	₱72,015,245
Trading system equipment	151,651,127	2,650,839	–	154,301,966
Building improvements	77,659,089	11,356,115	–	89,015,204
Computer hardware and peripherals	63,537,154	10,330,084	636,259	73,230,979
Furniture and fixtures	40,691,829	138,113	–	40,829,942
Office and communication equipment	7,176,893	509,830	–	7,686,723
Transportation equipment	4,850,290	766,952	48,091	5,569,151
Leasehold improvements	3,625,595	1,914	–	3,627,509
Others	1,153,849	4,136	–	1,157,985
	₱413,365,270	₱34,753,784	₱684,350	₱447,434,704

Net Book Value

	2001	2002
Buildings	₱161,875,590	₱152,879,789
Trading system equipment	3,574,532	3,369,909
Building improvements	35,889,607	24,583,445
Computer hardware and peripherals	10,220,488	8,587,579
Furniture and fixtures	170,343	268,347
Office and communication equipment	771,610	654,057
Transportation equipment	1,493,074	2,348,667
Leasehold improvements	1,927	13
Others	377,717	384,697
	214,374,888	193,076,503
Donated shares in a condominium corporation	155,690,154	155,690,154
	₱370,065,042	₱348,766,657

Parent Company

Cost

	2001	Additions	Disposals	2002
Buildings	₱224,895,034	₱–	₱–	₱224,895,034
Trading system equipment	155,225,659	2,446,216	–	157,671,875
Building improvements	113,548,696	49,953	–	113,598,649
Computer hardware and peripherals	65,970,466	8,697,175	636,259	74,031,382
Furniture and fixtures	40,151,560	236,117	–	40,387,677
Office and communication equipment	7,948,503	392,277	–	8,340,780
Transportation equipment	5,408,364	1,622,545	48,091	6,982,818
Others	1,531,566	11,116	–	1,542,682
	₱614,679,848	₱13,455,399	₱684,350	₱627,450,897

Accumulated Depreciation and Amortization

	2001	Depreciation and Amortization	Disposals	2002
Buildings	₱63,019,444	₱8,995,801	₱–	₱72,015,245
Trading system equipment	151,651,127	2,650,839	–	154,301,966
Building improvements	77,659,089	11,356,115	–	89,015,204
Computer hardware and peripherals	56,432,510	9,783,957	636,259	65,580,208
Furniture and fixtures	40,078,062	77,532	–	40,155,594
Office and communication equipment	7,176,893	509,830	–	7,686,723
Transportation equipment	4,195,791	579,952	48,091	4,727,652
Others	1,153,849	4,136	–	1,157,985
	₱401,366,765	₱33,958,162	₱684,350	₱434,640,577

Net Book Value

	2001	2002
Buildings	₱161,875,590	₱152,879,789
Trading system equipment	3,574,532	3,369,909
Building improvements	35,889,607	24,583,445
Computer hardware and peripherals	9,537,956	8,451,174
Furniture and fixtures	73,498	232,083
Office and communication equipment	771,610	654,057
Transportation equipment	1,212,573	2,255,166
Others	377,717	384,697
	213,313,083	192,810,320
Donated shares in a condominium corporation	155,690,154	155,690,154
	₱369,003,237	₱348,500,474

Buildings represent the donations of Philippine Realty and Holdings Corporation (PRHC) and Ayala Land, Inc. (ALI) and a condominium unit at the PSE Centre in Pasig City purchased at 5.2 million.

The PRHC donation is comprised of the Parent Company's offices at the PSE Centre in Pasig City which exclusively house the following: a) trading floors; b) board room; c) executive offices; d) training and education center; and e) research, administrative and accounting offices, library and central files. Such offices were donated by PRHC on September 29, 1993 but were formally turned over to the Parent Company on December 31, 1994 at a value of 139.5 million (see Note 13).

As provided in the Deed of Donation between PRHC and the Parent Company, the latter shall use the offices exclusively for its stock exchange and stock trading operations for a period of at least 10 years from the date of its occupancy of said offices. However, should the Parent Company fail to locate their trading floor at the donated property, this shall revert to PRHC without need of any further act or deed. However, if within the 10-year period, the Parent Company's stock trading activities shall be conducted off-floor, the trading floor established in the condominium units or portions thereof may, at the Parent Company's option and sole cost, be converted into additional offices for its exclusive use.

On August 25, 1993, ALI donated to the Parent Company the sum of 80.0 million (30.0 million of which, was made through a transfer of rights by the Makati Stock Exchange) to cover the cost of construction of the unit at the Philippine Stock Exchange (PSE) Plaza in Ayala Avenue, Makati City and its appurtenant parking slots, and condominium shares valued at 155.7 million (see Note 13).

The deed of donation provides that the units at the PSE Plaza will house one of the trading floors of the Parent Company, the central clearing and depository and a number of parking lots. In addition, the donee shall use the units for a period of at least 10 years from the date of the donee's occupancy of the said units.

ALI established a stock condominium corporation, the Tower One and Exchange Plaza Condominium Corporation, for the purpose of holding title to the parcel of land where the condominium is located and the common areas of the condominium. The donated condominium shares represent the Parent Company's share in the said condominium corporation.

On November 12, 2002, the representatives of the Parent Company and the Fort Bonifacio Development Corporation (FBDC) signed the definitive agreement implementing the terms and conditions for the relocation of the Parent Company to the Bonifacio Global City, which is in relation to the allocation by FBDC of the required space and building facilities that will house the Parent Company's headquarters, majority of its management offices and its unified trading operations in equity securities for the National Capital Region. The relocation remains subject to the execution of such deeds calling for the donation of the required facilities.

9. Other Assets

This account consists of:

	Group		Parent Company	
	2002	2001	2002	2001
Deposit in bank	₱82,433,668	₱106,366,023	₱82,433,668	₱106,366,023
Preoperating expenses - net	13,405,961	20,108,942	–	–
Advances to members related to Credit Ring Agreement Fund (see Note 12)	10,000,000	10,000,000	10,000,000	10,000,000
Club membership - net of allowance for market decline of ₱2,428,000 in 2002	650,000	3,078,000	650,000	3,078,000
Others	72,768	54,986	72,768	54,986
	₱106,562,397	₱139,607,951	₱93,156,436	₱119,499,009

Deposit in bank represents matured investments with a local bank which declared a bank holiday on April 25, 2000 and was subsequently placed under receivership. The bank's rehabilitation plan, including its proposed merger with another bank, was approved by the Bangko Sentral ng Pilipinas on July 12, 2001. The proposed merger was approved by the SEC on January 31, 2002.

Under the options made available to bank depositors as provided for in the rehabilitation plan, the Parent Company's deposit with the said bank shall be repaid and serviced as follows:

- a. Partial payment of 0.5 million within 30 days from date of opening, less 0.1 million previously paid by Philippine Deposit Insurance Corporation (PDIC);
- b. Remaining balance shall be paid as follows:
 - 75% shall be paid in three (3) years at 6% per annum as per schedule:
 - 1st year end - 30%
 - 2nd year end - 30%
 - 3rd year end - 40%

- 25% shall be paid in equal yearly installments for three (3) years at 7% per annum, net of withholding tax as follows:
 - 4th year end - 33%
 - 5th year end - 33%
 - 6th year end - 34%

The foregoing repayment plan was approved by the Parent Company's BOD on August 8, 2001. As of December 31, 2002, payments to the Parent Company amounting to 24.4 million were made in accordance with the foregoing plan.

10. Accounts Payable, Accrued Expenses and Other Current Liabilities

This account consists of:

	Group		Parent Company	
	2002	2001	2002	2001
Accrued expenses	₱16,244,866	₱21,329,145	₱11,196,393	₱16,495,963
Accounts payable	8,149,721	10,543,244	8,705,138	10,175,613
Due to SEC	6,447,674	16,188,947	6,447,674	16,188,947
Others	9,441,711	5,109,125	9,092,415	5,109,126
	₱40,283,972	₱53,170,461	₱35,441,620	₱47,969,649

The amount due to SEC represents license fees to operate an exchange imposed under Section 35 of the SRC.

11. Clearing and Trade Guaranty Fund

This account consists of:

	2002	2001
Principal contribution from:		
Members		
Balance at beginning of year	₱91,349,748	₱88,728,147
Contributions	1,527,255	2,621,601
Balance at end of year	92,877,003	91,349,748
Parent Company	80,000,000	80,000,000
	172,877,003	171,349,748
Accumulated interest income		
Balance at beginning of year	34,690,523	17,875,682
Interest income	14,351,600	16,814,841
Balance at end of year	49,042,123	34,690,523
	₱221,919,126	₱206,040,271

The Clearing and Trade Guaranty Fund (CTGF) is a credit management tool designed to protect the market against temporary illiquidity, insolvency and/or bankruptcy of clearing brokers.

In order for SCCP to effectively implement its Fails Management and Buy-in/ Sell-out functions, the CTGF must be adequate to cover the unsettled trades of any broker on any trading day. On December 7, 1999, the SEC directed the Parent Company to allocate a portion of its income as a trade guarantee expense to hasten the build up of the CTGF.

As of December 31, 2002 and 2001, the assets of the CTGF (included under Investments of Credit Trade and Guaranty Fund account in the consolidated balance sheets) consist of:

	2002	2001
Investments in government securities	₱212,847,382	₱200,810,300
Accrued interest receivable	8,774,576	5,125,634
Accounts receivable	297,168	104,337
	₱221,919,126	₱206,040,271

The CTGF shall be invested as follows:

- a. Deposits in universal banks wholly or partially insured by the PDIC;
- b. Securities issued or guaranteed by the Republic of the Philippines;
- c. Such other investments as the SCCP's BOD may approve taking into consideration the liquidity requirements of the clearing fund.

Any proceeds from the CTGF shall not be used for any purpose other than for:

- a. Payment of the net money obligations of a defaulting buying member in order to settle a failed trade;
- b. Buy-in of relevant securities due from a defaulting selling member in order to settle a failed trade;
- c. The satisfaction of losses, liabilities and expenses of SCCP incidental to the operation of its clearing and settlement functions and the management of the CTGF;
- d. Payment of premium on any insurance policy taken for the CTGF; and
- e. The liquidation of contributions as may be determined by the BOD of SCCP.

On January 28, 2003, the BOD of SCCP approved the amendment of its rules on CTGF providing for the non-recourse of all CTGF contributions to members.

12. Credit Ring Agreement Fund

On January 29, 2001, the SEC approved SCCP's request that all clearing members whose net negative exposure amounting to 1.0 million or below be exempted from the daily collateral collection being required by SCCP. The said request was made to improve the efficiency of SCCP's mark-to-market collateral deposit system. The said approval is subject to the following conditions:

- a. SCCP, via a one-time contribution by the clearing members or by the Parent Company on behalf of its members who are also the clearing members, shall set aside the amount of 10.0 million for the sole purpose of covering the aggregate net negative exposures of all clearing members whose computed individual exposure amounts to 1.0 million and below;
- b. A credit ring agreement, to be participated in and signed by all SCCP clearing members, shall be organized. A credit ring agreement is a scheme wherein the participating members agree to pay up, pro rata, the deficit between the total net negative exposures of failing brokers and the amount of 10.0 million special fund;
- c. The size of the fund shall be reviewed quarterly by SCCP for resizing; and
- d. SCCP shall promptly make the necessary amendments to existing rules and operating procedures to reflect the necessary changes.

In connection with the above conditions, the Parent Company advanced, on behalf of its members, 10.0 million to a special fund set up by SCCP relative to the credit ring agreement described above. The said fund was invested by SCCP in short-term money market placements.

13. Donated Capital

This consists of donations from:

	2002	2001
ALI	₱235,690,154	₱235,690,154
PRHC	139,542,000	139,542,000
USAID	1,925,250	1,925,250
	₱377,157,404	₱377,157,404

14. Compensation and Other Related Staff Expenses

This account consists of:

	Group		Parent Company	
	2002	2001	2002	2001
Salaries and wages	₱48,429,860	₱43,689,391	₱46,513,722	₱41,736,880
Retirement expense (see Note 15)	901,938	3,598,335	418,149	1,911,935
Other employee benefits	13,434,427	14,188,187	13,105,901	13,440,248
	₱62,766,225	₱61,475,913	₱60,037,772	₱57,089,063

15. Retirement Plan

The Parent Company has a funded, noncontributory defined benefit retirement plan covering all its regular employees. The benefits are consolidated based on years of service and compensation per year of credited service. The Parent Company's annual contribution to the retirement plan consists of a payment covering the current service cost plus a payment toward funding the actuarial accrued liability.

Actuarial valuation is made at least every three years. As of September 30, 2001, the latest date of the actuarial valuation, the actuarial present value of retirement benefits amounted to 12.4 million while the fair value of the plan assets amounted to 16.1 million. As of September 30, 2001, the net asset value of the plan exceeded actuarial retirement benefits by 3.7 million. Retirement expense in 2002 and 2001 amounted to 0.4 million and 1.9 million, respectively. The principal actuarial assumptions used to determine retirement benefits were 10% discount rate, salary increases and return on plan assets.

The Parent Company's retirement fund is being managed by a local bank.

SCCP provides for estimated retirement benefits required to be paid under RA No. 7641 to all its employees, totaling eight, pending implementation of a formal retirement plan. Retirement expense, computed using the current monthly salary rate and number of years of employment with SCCP, amounted to 0.5 million and 1.7 million in 2002 and 2001, respectively. SCCP management believes that since the Company started operations only in 2000, the accrued retirement expense under an actuarially computed retirement plan will not be materially different from the accrued estimated retirement expense recognized in the financial statements.

16. Occupancy Costs

This account consists of:

	Group		Parent Company	
	2002	2001	2002	2001
Utilities	₱15,613,875	₱13,746,441	₱15,379,511	₱13,448,041
Condominium dues	8,963,840	8,017,838	8,963,840	8,017,838
Security and janitorial services	7,297,672	6,046,916	7,297,672	6,046,916
Repairs and maintenance	3,724,171	3,288,958	3,724,171	3,236,797
	₱35,599,558	₱31,100,153	₱35,365,194	₱30,749,592

17. Non-Operating Income

The components of non-operating income are summarized below:

	Group		Parent Company	
	2002	2001	2002	2001
Interest income - net of interest expense of ₱647,940 in 2001	₱45,699,821	₱44,833,363	₱45,100,860	₱43,719,198
Foreign exchange gain - net	4,060,984	991,861	4,060,984	991,860
Equity in net losses (see Note 6)	(4,042,393)	(12,342,620)	(8,696,864)	(18,680,114)
Provision for decline in value of club membership (see Note 9)	(2,428,000)	–	(2,428,000)	–
Reversal of provision for probable losses on money market placement with a rehabilitated bank (see Note 9)	–	26,577,785	–	26,577,785
Demutualization expense	–	(4,600,768)	–	(4,600,768)
Others	6,365,298	–	6,365,298	–
	₱49,655,710	₱55,459,621	₱44,402,278	₱48,007,961

18. Income Taxes

The provision for income tax consists of:

	Group		Parent Company	
	2002	2001	2002	2001
Final	₱9,089,200	₱9,077,329	₱8,969,408	₱8,854,496
Current	2,632,290	1,696,393	2,632,290	1,696,393
Deferred	(1,338,542)	1,286,980	(1,183,730)	1,826,628
	₱10,382,948	₱12,060,702	₱10,417,968	₱12,377,517

The components of net deferred tax assets (included under the Other Current Assets account in the balance sheets) are as follows:

	Group		Parent Company	
	2002	2001	2002	2001
Deferred tax assets (liability) on:				
NOLCO	₱10,227,766	₱8,546,087	₱–	₱1,286,835
Allowance for probable losses	5,000,741	3,392,979	5,000,741	3,392,979
MCIT	3,377,419	1,696,393	3,377,419	1,696,393
Unfunded retirement costs	1,271,788	983,168	133,808	–
Unrealized foreign exchange gain - net	(919,895)	–	(919,895)	–
Unamortized past service costs	796,500	828,636	796,500	828,636
	19,754,319	15,447,263	8,388,573	7,204,843
Less valuation allowance	10,227,766	7,259,252	–	–
	₱9,526,553	₱8,188,011	₱8,388,573	₱7,204,843

Details of NOLCO of the Parent Company and SCCP follow:

Year Incurred	Amount	Used	Balance	Expiry Date
Parent Company				
2001	₱4,021,359	₱4,021,359	₱-	2004
SCCP				
2000	10,514,125	-	10,514,125	2003
2001	12,171,039	-	12,171,039	2004
2002	9,276,606	-	9,276,606	2005
	31,961,770	-	31,961,770	
	₱35,983,129	₱4,021,359	₱31,961,770	

A full allowance on the related tax effect of SCCP's NOLCO has been set up as management believes that there may be no future benefit on such asset.

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	Group		Parent Company	
	2002	2001	2002	2001
Statutory income tax rate	32.00%	32.00%	32.00%	32.00%
Tax effects of:				
Interest income subjected to final tax	(13.99)	(18.04)	(14.13)	(17.42)
Valuation allowance on NOLCO	7.74	12.83	-	-
Minority interest in net loss a subsidiary	(3.73)	(6.42)	-	-
Equity in net loss of an affiliate	3.37	13.01	7.25	19.49
Nondeductible expenses	1.69	6.35	2.02	6.29
Effective income tax rate	27.08%	39.73%	27.14%	40.36%

19. Related Party Transactions

In the normal course of business, the Group enters into transactions with related parties. A summary of the related party transactions follows:

	2002	2001
PCDI		
Accounts receivable	₱31,800	₱306,978
Other income	-	186,000
Members		
Accounts receivable - net of allowance for probable losses of ₱4,437,910 in 2002	12,962,003	9,207,364
Membership fees	8,724,480	20,479,985

20. Contingencies

The Parent Company is contingently liable for lawsuits or claims filed by third parties, which decisions are either pending in the courts or under negotiation, the ultimate outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

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