Surging Forward

ANNUAL REPORT 2005

THE PHILIPPINE STOCK EXCHANGE INC.

Contents

Cover Story

"SURGING FORWARD"

The figure depicts a businessman making a purposeful stride with his eyes focused on his destination and the rest of his body moving in one coordinated and powerful motion. The eyes exude enthusiasm and the body conveys good health and discipline.

The figure reminds us of our Exchange whose health and resiliency, coupled with the enthusiasm and discipline of our stakeholders, allowed us to overcome political and economic hurdles and jump to new heights in terms of profitability and growth. This was shown last year by the record earnings of our Exchange and the impressive surge in market capitalization of stocks listed in our Exchange.

The stylized rendition of the skyscrapers in the background represents the dynamic comeback of the Philippine equities market in the global arena over the past couple of years.

Our Vision

By 2007:

A peer among the premier stock exchanges within the region.

One of the most efficient, orderly, fair, transparent centers for raising capital and trading securities that will be beneficial to all participants in the marketplace.

A strong foundation for the growth of the Philippine economy by being in the forefront of savings mobilization and investments through existing and innovative instruments.

Our Mission

The PSE is committed to:

Maximize value for shareholders with optimal service to all stakeholders.

Practice good governance and promote this in listed companies and trading participants to sustain investors' confidence.

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

Develop new products and services.

Promote the professional and personal growth of our personnel to better serve the investors, the listed companies and the trading participants.

Our Corporate Values

Professionalism

Efficiency

Accountability
Transparency and Fairness

Collaboration
Teamwork

Ethics
Integrity

Performance of the Stock Market

Political infighting, delays in passing a tax reform bill and the surge in the world prices of crude oil hounded the market last year. These adverse domestic and international developments would have hammered down a less-resilient bourse. But our equities market not only withstood, it even performed well under such trying circumstances.

The Philippine Stock Exchange (PSE) Composite Index (the "Index") surged by 14.99%, or 273.21 points, closing at 2,096.04 last year from 1,822.83 a year earlier. Hence, our local stocks ended the year as the second-best performing market in Southeast Asia and ranked fourth among selected Asian markets.

Table 1. INDICES OF ASEAN EXCHANGES, YEAR-END

Country	Index	2004	2005	Growth (%)
Indonesia	Jakarta Composite Index	1,000.23	1,162.64	16.24
Philippines	PSE Composite Index	1,822.83	2,096.04	14.99
Singapore	Straits Times Index	2,066.14	2,347.34	13.61
Thailand	SET Index	668.10	713.73	6.83
Malaysia	Kuala Lumpur Composite Index	907.43	899.79	(0.84)

During the first quarter of 2005, the Index got off to a good start reaching 2,166.10 points, or near the five-year high mark, as reports favorable to the market reached investors. For instance, the country's gross domestic product (GDP) expanded by 6.0% in 2004, while the government budget deficit proved not as bad as forecast by economic managers. The Financial Action Task Force (FATF) also removed the Philippines from a list of countries considered "uncooperative" in mounting a fight to stop the global flow of money coming from, or going to, international crime syndicates and terrorists. In the same first quarter of 2005, the California Public Employees' Retirement System(CalPERS), which is America's biggest pension fund, retained the Philippines in its list of permissible investment destinations. Also topping the list of positive developments were reports indicating favorable corporate earnings in 2004.

Before the first quarter would end, however, the Index had erased almost all its earlier gains as it shrank to 1,854.63 points. The five-percent Index contraction coincided with the reported delays in passing the reformed value-added tax (RVAT) law and with a series of hikes in bank borrowing rates, which monetary authorities had induced to fight inflation.

Table 2. INDICES OF SELECTED ASIAN EXCHANGES,YEAR-END

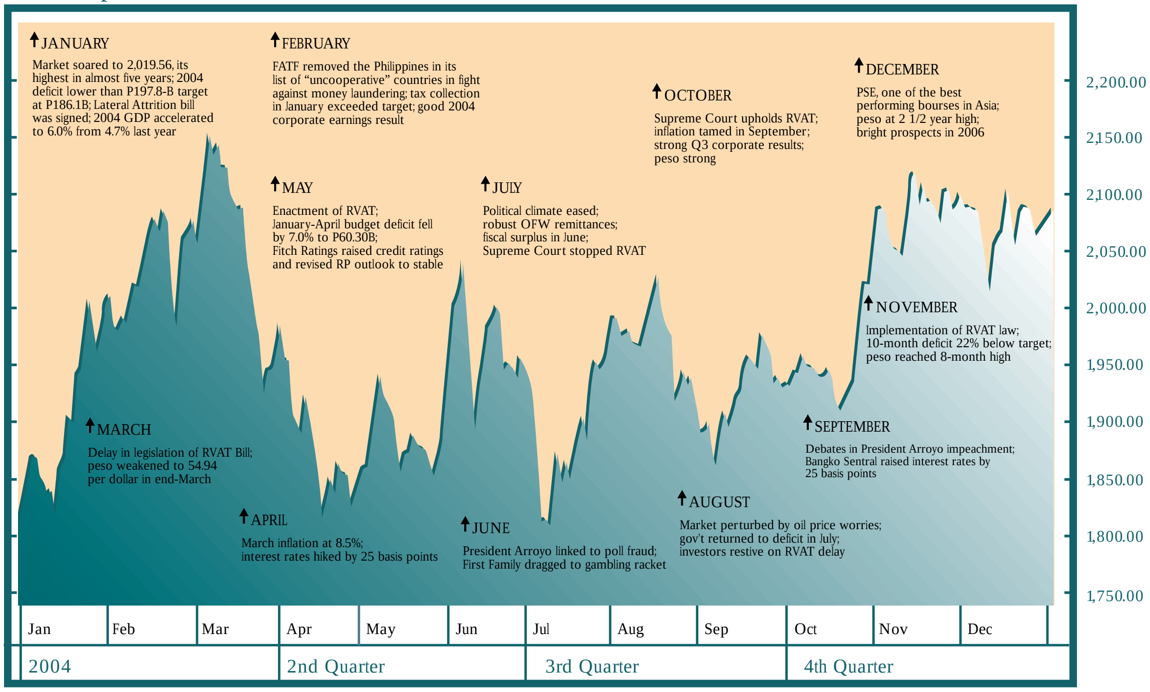
Country	Index	2004	2005	Growth (%)
Korea	Korea Composite Index	895.92	1,379.37	53.96
Japan	Topix Index	1,149.63	1,649.76	43.50
Indonesia	Jakarta Composite Index	1,000.23	1,162.64	16.24
Philippines	PSE Composite Index	1,822.83	2,096.04	14.99
Singapore	Straits Times Index	2,066.14	2,347.34	13.61
Thailand	SET Index	668.10	713.73	6.83
Taiwan	Taiwan Taex Index	6,139.69	6,548.34	6.66
Hong Kong	Hang Seng Index	14,230.14	14,876.43	4.54
Malaysia	Kuala Lumpur Composite Index	907.43	899.79	(0.84)
China	China SE Shang Composite Index	1,266.50	1,161.06	(8.33)
China	SE Shenz Composite Index	315.81	278.74	(11.74)

In the succeeding months, the market would trade within a narrow range, taking its cue from a mix of positive and negative developments. Welcome reports like the robust increase in foreign exchange remittances from overseas Filipino workers (OFWs) were offset by adverse developments like the continued rise in the world prices of crude oil and a court decision to suspend the implementation of the RVAT.

Before the year ended, however, a string of good news had whetted once more investors' appetite to snap up stocks in the local market. It was during the last quarter of 2005 that the RVAT, considered by investors to be the answer to government's bloated deficit, took effect after the Supreme Court upheld its legality. Expectations that the government would finally control its unwieldy budget gap were reinforced with an announcement that the budget shortfall had stayed below the ceiling at P122.83 billion during the first 11 months of 2004. Inflation slowed down to 7.1% in November 2005, and the peso later closed the year at P53.09 against the dollar, which was the local currency's best finish against the greenback in two-and-a-half years. The peso's advance got its main boost from a surge in OFW remittances, which reached $9.7 billion as of November 2005, or 26.6% higher than the year-ago mark.

PSE Composite Index

29 - Dec - 2005



During the second quarter, the Index rebounded following the passage of the RVAT, the upgrade by Fitch Ratings of the country's credit outlook, and the release of reports indicating the strong profit performance of large Index stocks. However, the market ascent was cut short in June when some members of the First Family were linked to an illegal gambling racket. The President herself was also dragged to a separate controversy over allegations that she had ordered a high-ranking election official to rig the 2004 Presidential election. Subsequent impeachment cases were filed against the President but the raps were later dismissed.

Chairman's

Message

Justice Jose C. Vitug

Dear shareholders and friends,

Various challenges confronted the country in 2005. World prices of crude oil continued to spiral, while the country's economic growth, tracked by the gross domestic product, slowed down to 5.1% from 6.0% a year earlier. Political tensions intensified with an impeachment case being leveled against the President.

The Exchange proved once again its resilience. In fact, local stock prices, moved by the 30-company Philippine Stock Exchange (PSE) Composite Index, ended 2005 with the second-highest growth rate in Southeast Asia and ranked fourth among selected Asian bourses.

I have no doubt that the stock market managed to chart a growth path despite adversities and difficulties. It enjoyed the support of our various stakeholders – the trading participants, regulators, the listed companies, the investing public, and, of course, your Board of Directors, management and staff of the Exchange.

We supported the implementation of the action plans we set for ourselves under the strategic framework to enhance operational efficiency, market integrity, liquidity and corporate governance practices. I am grateful to the PSE President and Chief Executive Officer in pursuing the LEAP-A-MILE strategic agenda launched in 2004.

As a self-regulatory organization, we continue to set a good example to our constituents in complying with the law, particularly with the Securities Regulation Code (SRC). In aiming to strike a balance between our regulatory functions and the need to cultivate an atmosphere of mutual trust and cooperation with our constituents, we have revised certain rules governing our trading participants.

The Exchange is cognizant that trading participants hold a combined stake in the Exchange that is in excess of the 20% cap, a matter that our regulator constantly monitors in relation to our compliance with the prescribed ownership limit. In response to this issue, your Board is taking concrete steps in evaluating the best option to comply with the SRC.

In terms of policies, we have liberalized certain rules to facilitate the listing of qualified companies, while assuring the protection of investors' interest.

In behalf of investors, the Exchange actively made representations with the Bureau of Internal Revenue (BIR) relative to a revenue memorandum circular imposing a 5% and 10% capital gains tax on pre-negotiated transactions, including block sales. The BIR, taking into account the economic considerations, among other things, raised by the Exchange, saw it fit to revoke said circular thereby encouraging more investments in the stock market.

To better reflect our market's performance and place the Exchange at par with global standards, the Exchange approved a new industry classification of listed companies and a new method in computing the PSE Composite Index.

The Exchange underwent a reorganization to improve its efficiency, optimize its value and assure the long-term growth of the Exchange. The reorganization abolished some positions, strengthened and merged existing posts and created new ones. In order to complete the process and improve operational efficiency, we are staffing the organization with the most qualified professionals.

Moving forward, both your Board and management will take advantage of the momentum we gathered in 2005 to push further the development of the capital market. In this regard, we will introduce new reforms to ensure market integrity, enhance operational efficiency and optimize the financial performance of your Exchange.

I take this opportunity to extend my personal gratitude to the Members of the Board, both past and present, for their wise counsel and encouragement and to our management and staff for their dedication and hard work. I would also like to thank our trading participants, listed companies, and the investing public for supporting the mission of our Exchange to act as a conduit for economic growth and opportunities.

JUSTICE JOSE C. VITUG
Chairman
February 2006

Table 3. SELECTED PSE MARKET INDICATORS

Market Performance	2005	2004	2003	2002	2001
	YEAREND				
Trading volume (B Shs)	317.6	284.3	86.0	99.8	164.4
Trading value (PB)	383.5	206.6	145.4	159.7	159.6
Average daily turnover (PB)	1.6	0.8	0.4	0.5	0.6
Brokers turnover (PB)	767.0	413.1	290.7	319.5	319.1
Foreign transactions	392.7	222.8	175.0	135.5	143.2
% Share of foreign trans.	51.2	53.9	60.2	42.4	44.9
Capital raised (PB)	55.5	2.1	1.7	40.6	7.3
Initial public offerings	33.6	1.0	0.2	4.0	0.2
Additional listings	21.9	1.1	1.5	36.6	7.1
Equities					
Listed companie	237	235	236	234	231
Listed issues	310	313	317	310	310
Market Capitalization					
Total market (PB)	5,948.4	4,766.3	2,973.8	2,083.2	2,141.4/r
Total market (US$ B)	112.1	84.7	53.5	39.2	41.7
Domestic firms, (PB)	2,129.6	1,629.1	1,313.5	990.2	1,095.1
Domestic firms (US$ B)	40.1	29.0	23.6	18.6	21.3

/r Revised: Market capitalization published for 2000 to 2001 revised to remove P1.2 billion market capitalization of Sime Darby Pilipinas, Inc. with retroactive effect in 1999.

Four out of the five sectoral indices enjoyed a double-digit hike in value last year with the oil sector leading the way with a 57.47% growth rate. The property sector gained 156.31 additional points and settled at 839.86 points, or 22.8% more than last year's 683.55 points. The commercial-industrial indicator grew 16.95% and reached 3,292.18 points from 2,815.11 a year ago. The banking and financial services sector went up 13.96% as it increased to 613.58 points from 538.41. Only the mining sector failed to advance as it had retreated instead to 2,771.77 points, or 12.57% lower than the 3,170.13 points in 2004. The All Shares Index likewise climbed to 1,273.14 points or 10.29% more than 1,154.39 points in 2004.

The industries that registered the largest percentage gains in value turnover were Mining, Oil, Food, Beverage & Tobacco, Construction & Other Related Products and Hotel, Recreation & Other Services. In terms of absolute total value turnover for the year, Communications retained the top position at P91.0 billion from P80.2 billion a year earlier.

The next largest industries were classified under Holding Firms and Banks with P78.32 billion and P65.75 billion, respectively.

The value of daily turnover averaged P1.6 billion in 2005, or twice its P800-million amount in 2004. For the whole of 2005, the value of transactions went up to P383.5 billion, or 85.6% higher than the P206.60 billion recorded a year earlier. Net foreign transactions reached P23.73 billion, or 36.42% higher than the P17.39 billion of the previous year. Volume of shares traded increased to P317.64 billion, or 11.6% more than the 284.5 billion shares that changed hands in 2004.

Total market capitalization by the end of the year reached P5.95 trillion, up by 24.8% from P4.77 trillion in 2004. The Financial Services industry, boosted by the two foreign listed firms Manulife Financial Corporation and Sunlife Financial, Inc., remained the largest group in terms of market capitalization with P3.84 trillion. The Communications industry placed second with P481.87 billion, while Holding Firms ranked third with P433.1 billion capitalization.

Table 3. MARKET CAPITALIZATION,TRADING VALUE AND VOLUME OF DIFFERENT SECTORS

NAME OF SECTOR	Market Capitalization 2005 (PB)	2004 (PB)	Growth (%)	% share to Total	Trading Volume 2005 (PB)	2004 (PB)	Growth (%)	% share to Total	Trading Value 2005 (PB)	2004 (PB)	Growth (%)	% share To Total
Banks	382.7	318.9	20.0	6.4	2.4	1.0	135.5	0.7	65.8	28.8	128.3	17.1
Communication	481.9	406.4	18.6	8.1	28.7	35.5	(19.1)	9.0	91.0	80.2	13.5	23.7
Construction & Other Related Products	38.1	21.0	81.5	0.6	1.3	0.7	82.8	0.4	3.4	1.2	179.3	0.9
Financial Services	3,836.5	3,150.4	21.8	64.5	0.1	0.1	(19.7)	0.0	1.4	1.1	25.8	0.4
Food, Beverage & Tobacco	325.8	251.2	29.7	5.5	1.5	0.6	147.7	0.5	46.8	13.7	241.8	12.2
Holding Firms	433.1	255.7	69.4	7.3	59.0	40.3	46.4	18.6	78.3	33.2	135.9	20.4
Hotel, Recreation & Other Services	14.7	12.7	15.9	0.2	4.4	1.3	237.3	1.4	5.0	0.9	458.6	1.3
Manufacturing, Distribution & Trading	22.6	21.4	5.5	0.4	1.6	0.8	95.1	0.5	0.7	0.3	147.3	0.2
Mining	27.7	17.7	56.2	0.5	165.4	156.0	6.0	52.1	18.5	4.0	363.7	4.8
Oil	6.3	4.4	43.0	0.1	36.6	35.2	3.9	11.5	0.8	0.2	304.9	0.2
Others	6.4	5.6	14.6	0.1	0.0	–	–	0.0	0.1	0.1	25.8	0.0
Power, Energy & Other Utilities	75.5	53.9	40.0	1.3	3.0	1.6	89.5	1.0	20.3	12.0	68.8	5.3
Property	248.4	201.1	23.5	4.2	12.9	10.6	21.7	4.1	41.0	27.5	49.0	10.7
Small and Medium Enterprises	0.3	0.3	(3.3)	0.0	0.0	–	–	0.0	0.1	–	–	0.0
Transportation Services	29.5	20.8	41.7	0.5	0.5	0.4	32.9	0.2	2.1	1.2	71.2	0.5
Preferred	15.5	15.6	(0.9)	0.3	0.1	–	–	0.0	6.5	–	–	1.7
Warrants, Phil. Deposit Receipts, etc.	3.5	9.4	(63.0)	0.1	0.1	0.4	(65.9)	0.0	1.7	2.2	(21.1)	0.5
Total	5,948.4	4,766.5	24.8	100.0	317.6	284.5	11.6	100.0	383.5	206.6	85.6	100.0

Highlights of Operations

LISTINGS AND DISCLOSURES

New Listings and Capital Raised

The Philippine Stock Exchange, Inc. (the "Exchange") welcomed two new firms to its roster of listed stocks after Manila Water Company, Inc. (MWC) and SM Investments Corporation (SMIC) conducted successful initial public offerings. With their entry, the number of listed companies in the PSE went up to 237.

The total offering of SMIC assured the firm of a place in the annals of local capital market history as the P28.75 billion proceeds from the company's capital market sortie is the largest in the Philippines and is considered one of the biggest in Asia at the time of offering. SMIC, a diversified holding company, has interests in shopping malls, retail merchandising, banking, tourism facilities and other property development ventures.

MWC raised P4.84 billion from its offering to partly finance the delivery of water, sewerage and sanitation services in its franchise area along the eastern part of Metro Manila and adjacent towns and cities.

Semirara Mining Corporation, one of the country's largest coal producers, raised P1.7 billion in fresh capital by conducting a second public offering in the international market. At the same time, a domestic offering of secondary shares was conducted exclusive to the trading participants.

CAPITAL RAISED IN 2005

	No. of Offer Shares	Offer Price	Amount in Pesos	Amount in US Dollars
Semirara				
International (primary)	46,875,000	36.00	1,687,500,000.00	30,886,794.18
International (secondary)	16,070,000	36.00	578,520,000.00	10,588,816.69
International (additional secondary)	11,296,000	36.00	406,656,000.00	7,443,140.84
Domestic (secondary offer)	15,180,000	36.00	546,480,000.00	10,002,379.43
Subtotal (secondary offer)	42,546,000	36.00	1,531,656,000	28,034,337
Total	89,421,000	36.00	3,219,156,000.00	58,921,131.14
MWC				
Primary	550,000,000	6.50	3,575,000,000.00	65,434,245.45
Secondary	195,330,000	6.50	1,269,645,000.00	23,238,674.84
Total	745,330,000	6.50	4,844,645,000.00	88,672,920.29
SMIC				
Primary	105,000,000	250.00	26,250,000,000.00	480,461,242.79
Secondary	10,000,000	250.00	2,500,000,000.00	45,758,213.60
Total	115,000,000	250.00	28,750,000,000.00	526,219,456.39

Listing Rules Relaxed for Mining Companies

The Exchange has adopted a liberal interpretation of its listing rules for mining companies to support government efforts to revitalize the industry and help mining firms gain wider access to equity financing.

The change in policy gives the Exchange the discretion to approve the listing of mining firms without compelling them to meet the usual track record of profitable operations and operating history requirements.

President's Message

Francisco Ed. Lim

Dear shareholders and friends,

I am pleased to report to you that The Philippine Stock Exchange, Inc. enjoyed a banner year in 2005 despite political and economic uncertainties. It was indeed an outstanding year as the Exchange chalked up its biggest net income, listed the largest initial public offering (IPO) and pulled up market capitalization to the highest level in its 79-year history.

Just as remarkable, the PSE Composite Index advanced last year by 14.99%, and closed at 2,096.04, or 273.21 points higher than1,822.83 in 2004. With such gain, the Philippine stock market ended 2005 with the second-highest growth rate among Southeast Asian bourses and ranked fourth among selected Asian markets for the year.

Proceeds from initial public offerings, which were listed last year at the Exchange, increased 33 times to P33.6 billion from only P1.0 billion a year ago. One of the two firms that launched a successful offering last year was SM Investments Corporation, whose P28.75 billion IPO, was considered the largest in the Philippines at the time of the offering. Manila Water Company, Inc., acknowledged to be the country's most profitable water utility, also raised capital by selling P4.84 billion worth of shares to the public last year.

With the two new listings and with the overall surge in value of listed stocks, the market capitalization of listed domestic firms reached a new all-time high of P2.13 trillion, or 30.72% higher than its P1.63-trillion mark a year earlier.

Trading activity likewise picked up as the average value of daily transactions doubled to P1.6 billion from P800 million, while daily volume expanded by 11.6% to 317.64 billion shares from 284.3 billion a year earlier. The year also saw the increased interest of foreign investors, as net foreign transactions went up by 36.42% to P23.73 billion from the P17.39 billion the previous year.

All these gains in our market translate to significant increases in the corporate earnings of your Exchange. The Exchange closed 2005 with a consolidated net income of P119.80 million, which is not only 440.85% bigger than its P22.15-million level in 2004, but also the highest in its history. Operating revenues doubled to P273.78 million from P137.58 million in 2004.

The increased income of the Exchange was primarily derived from listing, membership and data feed fees, along with the new income stream from the Securities Clearing Corporation of the Philippines (SCCP). The service fees of SCCP, which your Exchange acquired as a wholly owned subsidiary in 2004, increased by 1,833.85% from P2.04 million in 2004 to P39.43 million in 2005.

At the beginning of last year, your Exchange continued the initiatives under our LEAP-A-MILE strategy, which is a multi-pronged agenda crafted to fuel more market activity.

As part of our LEAP-A-MILE activities, we inked an agreement with the Board of Investments (BOI) to reaffirm the desire of both parties to implement specific provisions of Executive Order No. (E.O) 226, or the Omnibus Investments Code of 1987, which are relevant in promoting stock market growth. Under EO 226, BOI-registered firms are required to list within 10 years of their BOI registration at least 10% of their stock in return for the fiscal and non-fiscal incentives these firms received. We believe the implementation of EO 226 will expand the choices of listed companies, which will attract more investors.

The Exchange also forged a separate agreement with the National Book Development Board and conducted seminars among its member firms to help them explore the stock market as a venue of raising capital.

We continued to widen public awareness about the stock market through an educational campaign for would-be investors. To this end, the Exchange, in collaboration with other partners in the capital market, proposed the inclusion of a stand-alone subject on capital markets in college education.

We believe that our presence should not only be confined to schools and business circles, such that the Exchange embarked on an outdoor advertising project. In fact, our advertising spots are now viewed in electronic billboards in strategic locations in Metro Manila as part of our capital market awareness campaign.

In order to strengthen both efficiency in operations and level the playing field, your Exchange completed the introduction of the Online Disclosure System (ODiSy), a 24/7 disclosure facility. This system allows companies to submit online to the Exchange their announcements and disclosures. In addition, we held a series of lectures and seminars for officials of listed companies to enable them to have a deeper appreciation of the disclosures required from them under the Revised Disclosure Rules. Although ODiSy's structure and components are now in place, your Exchange will continue to add enhancements to this project.

Your Exchange also sponsored more training workshops and seminars to further improve the compliance by trading participants with laws, rules and regulations affecting the capital market.

In closing, let me reaffirm management's commitment to attain our vision to become a premier Exchange in the Asian region by 2007. We are confident that, with the continued support of our shareholders, the Exchange will continue to surge forward and hit new grounds!

FRANCISCO Ed. LIM
President and Chief Executive Officer
February 2006

The relaxed rules apply mainly to mining firms whose activities are still limited to exploration. In lieu of the track record and operating history requirements, affected mining firms are required to secure certification from the Mines and Geosciences Bureau (MGB) on the validity of the mineral claims, and submit copies of the Geological Reports or Mineral Resource validated by MGB as well as other documents that will attest to their eligibility and competence to conduct mining operations.

Operational Efficiency and Transparency

The Exchange now provides a 24/7 online system access to listed companies for the submission and announcement of company disclosures following the implementation of the Online Disclosure System (ODiSy) in July. The ODiSy helps manage three key areas: compliance by listed companies with disclosure rules, extended service accessibility on the Internet, and operational efficiency with the immediate processing and review of each disclosure submission.

In order to prepare the listed companies for the implementation, training sessions were conducted for officials and representatives of listed companies.

MARKET INTEGRITY

The Exchange sponsored more training workshops and seminars for trading participants to enhance their knowledge about laws, as well as rules and regulations affecting the capital market. The Exchange provided the seminars as part of a continuing effort to instill professionalism in its operations and reaffirm its status as a self-regulatory organization.

One workshop tackled International Accounting Standards and Financial Analysis; another deepened the trading participants' knowledge about risk management and fiscal fitness analysis.

A dialogue we sponsored regarding the Risk-Based Capital Adequacy (RBCA) framework facilitated a smooth transition from the net capital to the risk-based regime; while another workshop helped the trading participants adopt the Chart of Accounts.

The Exchange also launched an Internet-based facility, which provides the trading participants a faster means in submitting RBCA and net capital reports. Likewise, the Exchange developed an internal inspection and monitoring system, which includes a database of key information, to increase the efficiency of its audit, compliance and surveillance operations.

It is the objective of the Exchange to strike a balance between its regulatory functions and the need to cultivate an atmosphere of mutual trust and cooperation with the trading participants. In an effort to achieve the balance, the Exchange revised certain rules governing trading participants.

To promote a deeper appreciation by listed firms of the disclosure requirements, the Exchange held a series of seminars on the Revised Disclosure Rules.

RESEARCH

Changes in the PSE Composite Index

After a thorough review and study, the PSE approved a two-stage framework that entails changes in computing the PSE Composite Index. The modification aims to make the Index a more accurate benchmark of stock market performance.

Under the first phase, the Exchange used several criteria – namely, full market capitalization, liquidity, tradability and sector representation – to determine inclusion or retention in the PSE Composite Index.

In order to pass the liquidity criterion, a stock must have an average daily value turnover of not less than P5 million during a period in review to be considered for Index inclusion or retention.

By tradability, the Exchange means that, during any given period in review, a stock must be traded at least 95% of the total trading days.

After passing the liquidity and tradability criteria, companies are grouped according to sector and then ranked, this time, according to the full market capitalization of each company. The 30-company Index reserves the first 12 slots for the two top firms in each of the six sectors. The 18 other slots go to companies, which get the next-highest rank in terms of full market capitalization.

The first phase of the Index recomposition took effect on 2 December 2005, and its adoption became the basis for the entry of five new Index firms. These are Banco De Oro Universal Bank, Manila Water Company, Inc., SM Investments Corporation, Pilipino Telephone Corporation and Philex Mining Corporation. The first stage of the recomposition also became the basis to remove from the Index Ginebra San Miguel, Inc., Ionics Circuits, Inc., JG Summit Holdings, Inc., Music Corporation and Philippine National Bank.

The second phase, approved for implementation on the first trading day of April 2006, will use a revised set of criteria in recomposing the Index. In addition to the liquidity and tradability requirements, three more stringent criteria – free float market capitalization, free float level and volume turnover ratio – were considered in assessing Index inclusion or retention.

The Exchange adopted the free float requirement after studies noted a global trend among stock exchanges and index providers to adopt the same yardstick.

Free float refers to the portion of the total issued and outstanding shares of a listed company that are readily and freely available for trading in the market. In the case of the Exchange, a minimum free float level was pegged at 10%, which listed firms must meet to qualify for inclusion or retention in the Index.

Satisfying the free float criterion alone will not assure a slot in the Index, because four other criteria will have to be passed by a company.

On top of satisfying liquidity and tradability, a company has to meet the volume turnover ratio yardstick, wherein at least 10% of the free float shares of a listed stock must be actually traded.

To complete the list of 30 companies, the second phase shall follow the same procedure of sector representation in phase one, only this time, companies are ranked according to free float market capitalization in lieu of full market capitalization.

Henceforth, the Exchange will conduct a review of the Index composition every six months to make it a more reliable barometer of the market. The Exchange will conduct the recomposition with the same objective, transparent and dispassionate efficiency.

Investors are expected to benefit from the change because the revised criteria encourage listed companies to widen their investor base, thereby improving stock market growth and, in turn, enhancing the value of the stocks.

Changes in Sector Indices

The Exchange also approved the implementation of a new industry classification of listed companies as part of continuing efforts to align its standards with those of other leading stock exchanges.

Under the new classification, listed companies are categorized according to major source of revenue. Specifically, if a firm generates 60% of its revenue from a particular business activity, it will be classified as such regardless of how its incorporation papers define its primary purpose.

With the new classification, investors can more easily track particular industries they want to watch without much adjustment in their templates, because the new classification is attuned with global standards.

The new classification, which the Exchange scheduled for implementation on the first trading day of January 2006, includes two new groupings – holding firms and services sectors.

The reclassification retains the property sector, simplifies the label for the banking and financial sector (renamed simply as financial sector) and combines into one the mining and oil sectors.

The new classification also simplifies the tag for the old commercial-industrial sector by renaming it instead as industrial sector.

BUSINESS DEVELOPMENT

The Exchange organized a workshop and roundtable discussion on Securities Borrowing and Lending (SBL) for the benefit of government regulators and market participants.

The Exchange requested Pan-Asia Securities Lending Association (PASLA) to conduct the SBL workshop and roundtable discussion and share its insights about the operational and regulatory aspects of the SBL.

The Exchange sponsored the event as part of the preparations for the smooth implementation of the SBL program. A technical working group was also formed to review the proposed SBL rules and regulations and fast-track the implementation of the program. The technical working group is composed of prominent market practitioners, regulators and custodian bank representatives from Citibank, HSBC and Deutsche Bank.

The Exchange continues to study the introduction of new products and facilities such as Exchange Traded Fund and the Real Estate Investment Fund. Plans are also underway to re-launch the Dollar-Denominated Trading facility.

MARKET DATA

Revenues from selling market data last year fell by 7% to P14.7 million from P15.8 million in 2004 as an offshoot of mergers that affected three clients. Fresh revenues coming from five new clients, however, mitigated the impact of these mergers. The number of market data clients went up to 23 or just one client short of its peak in 2001.

Communication front-end connections of trading participants expanded to 10 from just seven in 2004, while Marketworks terminal subscriptions increased to 311 from 305 terminals in 2004.

INVESTOR EDUCATION

The Exchange continues to drum up public awareness about the stock market by mounting an educational campaign for would-be investors. The campaign includes modules designed to accustom ordinary Filipinos about stock market dynamics and motivate them to invest in the market.

The various initiatives toward this end include workshops, briefings and road shows for students, teachers, professionals as well as entrepreneurs in Metro Manila and key cities nationwide. An educational campaign to increase the knowledge and understanding of students in the collegiate level was implemented through the Best Thesis on the Stock Market Competition and the Stock Trading Tournament, an Internet-based trading simulation game. The Exchange organized both activities in cooperation with the Philippine Association of Collegiate Schools of Business (PACSB).

The Exchange and partners in the capital market have initiated a drive to include the subject of capital market, securities and investments in the business curricula of local colleges and universities. The Exchange believes the proposal will go a long way in creating a new breed of skilled stock market professionals.

Banking on the growing popularity of outdoor advertising, the Exchange forged an agreement with electronic billboard operators for free advertising spots. The agreement became the basis to run a series of 10-second PSE advertisements in selected and strategic locations in Metro Manila. These ads run at the SM Megamall in Mandaluyong City, La Salle Greenhills in San Juan, Ayala Alabang Village in Muntinlupa City, along EDSA-Guadalupe and the Equitable PCI (EPCI) Bank building along Paseo De Roxas, both in Makati City and EPCI Bank building in Tomas Morato in Quezon City.

HUMAN RESOURCES AND ORGANIZATIONAL DEVELOPMENT

The Exchange approved a reorganization program to improve efficiency, optimize its value, assure its long-term growth and reaffirm its status as a self-regulatory organization. The reorganization, which will be completed in the second quarter of 2006, abolished some positions, strengthened and merged existing posts and created new ones to achieve the LEAP-A-MILE strategic agenda.

At the same time, the reorganization aims to secure the long-term growth of the Exchange by making it an attractive workplace for highly-qualified staff.

The reorganization allowed the Exchange to pare down 15% of its work force and focus on its core competence by consolidating related functions and outsourcing some support services.

SUBSIDIARY

Securities Clearing Corporation of the Philippines

Securities Clearing Corporation of the Philippines (SCCP) reached a milestone by chalking up P9.7 million in net income after tax in 2005, its first profitable year since it commenced commercial operations in January 2000.

SCCP posted profits after the Securities and Exchange Commission (SEC) allowed SCCP to charge its clearing members higher monthly clearing fees based on gross trade value effective May 2, 2005. The 85.6% increase in value turnover last year also buoyed up SCCP's revenues.

SCCP expects to boost its monthly revenues by about P1.5 million once its new clearing and settlement system goes into full operation within 2006. The new system allows SCCP to save on certain fees that otherwise would have obliged it to remit to the Philippine Depository and Trust Corporation (PDTC) for the use of the latter's clearing infrastructure.

New Clearing and Settlement System

SCCP acquired a real-time multilateral netting clearing and settlement system, called the Central Clearing and Central Settlement (CCCS) from Capital Markets Co. of Belgium to make sure SCCP's clearing practices are at par with the best global standards.

In 2005, SCCP customized the system to meet regulatory and industry requirements as part of comprehensive preparations for the full implementation of the CCCS in April 2006. Other CCCS preparations included training sessions and parallel runs with the various clearing participants, such as the PDTC, settlement banks, foreign custodian banks and the trading participants. SCCP rules and operating procedures were revised to adapt to the new processes under the CCCS. The proposed rules and operating procedures are awaiting SEC approval.

Several more initiatives are anticipated to come into fruition in 2006. During Phase 2 of the implementation of the CCCS, four foreign custodian banks will be allowed to perform the functions of a settlement bank, a role being currently undertaken by two local banks.

During Phase 3, CCCS will allow real-time link up with clearing participants such as the settlement banks, the depository, and the transfer agents. The launching of CCCS will facilitate the settlement and recording of ownership of securities on a "registered owner" or "beneficiary" level with the registry agencies and depository entities, thereby providing better protection for the investors.

Board of Directors and Officers

Front (Left to Right):

- Justice Jose C. Vitug
  Chairman
- Francisco Ed. Lim
  President and Chief Executive Officer
- Alejandro T. Yu
  Director & Treasurer
- Frederick L. De Vera
  Director
- Anabelle L. Chua
  Director
- Ma. Vivian Yuchengco
  Director
- Francisco Villaroman
  Director
- William L. Ang
  Director

Back (Left to Right):

- Robert Coyiuto, Jr.
  Director
- Conrado F. Bate
  Director
- Cornelio T. Peralta
  Director
- Roberto A. Atendido
  Director
- Bernardino R. Abes
  Director
- Jose Luis S. Javier
  Director

2005 Executive Officers

From Left to Right:

- Angel S. Averia, Jr.
  Vice President
  Chief Technology Officer
- Jurisita M. Quintos
  Senior Vice President
  Head, Operations Group
  Corporate Information Officer
- Aissa V. Encarnacion
  Corporate Secretary
- Francisco Ed. Lim
  President and Chief Executive Officer
- Maria Lourdes A. De Guzman
  Vice President
  Head, Market Regulatory Office
- Marietta U. Tan
  Vice President
  Head, Finance and Investments Group
- Roel A. Refran
  Vice President
  General Counsel

2005 Department
Heads and OICs

Standing (Left to Right):

- Jinky A. Alora
  Trading Participants
  Regulation Department
- Alfredo S. Jingco
  Human Resources
  Management Department
- Janet A. Encamacion
  Disclosure Department
- Sergio S. Marquez
  Research & International
  Affairs Department

Seated (Left to Right):

- Elisa L. Benavidez
  Treasury Department
- Celeste M. Jovenir
  Corporate Communications
  Department
- Claudine C. del Rosario
  Listings Department

Standing (Left to Right):

- Maria Christina T. Suralvo
  Prosecution and Enforcement
  Department
- Edwin G. Oliveros
  Market Surveillance
  Department
- Jo Ann G. Bautista
  Business Development
  Department

Seated (Left to Right):

- Priscilla S. Sandoval
  Strategic / Corporate
  Planning Department
- Elisa S. Rodriguez
  Accounting Department

Securities Clearing Corporation of the Philippines

Board of Directors and Officers

Front (Left to Right):
- Renee D. Rubio, Chief Operating Officer
- Trinidad Y. Kalaw, Director
- Anabelle L. Chua, Director
- Justice Jose C. Vitug, Chairman
- Francisco Ed. Lim, President
- Johnny S. Yap, Director

Back (Left to Right):
- Cornelio T. Peralta, Director
- Roberto A. Atendido, Director
- Emmanuel O. Bautista, Director
- Rodolfo V. Cruz, Director
- Jose Luis S. Javier, Director

Not in Photo:
- Alicia Rita M. Arroyo, Director

Information Required by the Securities Regulation Code

BUSINESS AND GENERAL INFORMATION

Business

The Philippine Stock Exchange, Inc. (the "Company") was incorporated on July 14,1992 as a non-stock corporation. The Company became a stock corporation on August 3, 2001. On December 15, 2003, pursuant to the demutualization mandate of Republic Act No. 8799, or the Securities Regulation Code, the Company's outstanding capital stock was listed by way of introduction. On February 18, 2004, the Company sold 6,077,505 shares from its unissued stock to five strategic investors by way of private placement that was approved by the Securities and Exchange Commission (SEC). The strategic investors were the PLDT Beneficial Trust Fund, SMC Retirement Fund, Government Service Insurance System, Kim Eng Investment Ltd., and KE Strategic Pte. Ltd.

The Company's revenues are primarily derived from listing-related fees. The Company charges listing fees for initial public offerings and additional listings and for annual listing maintenance. Other sources of revenues are membership, transaction, data feed and miscellaneous fees, which include service fees. Membership and transaction fees are charged to trading participants while data feed fees are collected from data vendors.

Subsidiary and Affiliate

The Securities Clearing Corporation of the Philippines, Inc. (SCCP) handles the clearing and settlement of trades. SCCP is now a 100%-owned subsidiary of the Company by virtue of the acquisition in 2004 of SCCP's entire capital stock from Rizal Commercial Banking Corporation, Equitable PCI Bank, and Citicorp Securities International (R.P.), Inc., including the qualifying shares held in the SCCP Board by the nominees of these selling entities.

The Company also holds a 12.23% stake in the capital stock of the Philippine Dealing System Holdings Corporation (PDSHC), the holding company of the Philippine Dealing & Exchange Corporation (PDEX), Philippine Depository & Trust Corporation (PDTC) and the Philippine Securities Settlement Corporation (PSSC), referred to as the fixed income exchange (FIE).

The FIE is designed to be an alternative market for raising funds other than by offering equity securities in the financial markets. In April 2004, by virtue of a Deed of Exchange, the Company acquired 611,439 common shares of the PDSHC in exchange for all of the Company's common and preferred shares in the Philippine Central Depository, Inc. (now known as PDTC), which were reclassified as common shares.

Properties

The Company's two principal properties are its offices at the PSE Centre in Ortigas Center, Pasig City, and the PSE Plaza along Ayala Avenue, Makati City. In 1993, the Tektite and Ayala offices were donated by Philippine Realty and Holdings Corporation and Ayala Land, Inc., respectively, to be used exclusively for the Company's stock exchange and stock trading operations for a period of at least 10 years.

The title to the Ayala property was transferred to the Company's name in November 2004, while the transfer of title for the Tektite property is currently being processed.

In addition, over a seven-year period beginning January 2005, the outstanding shares of Crescent West Development Corporation, a subsidiary of Fort Bonifacio Development Corporation (FBDC) and the registered owner of a 2,182-square-meter lot in Fort Bonifacio Global City, will be transferred to the Company. Under the Definitive Agreement, which was executed by the Company and FBDC, the Company may relocate its headquarters, majority of its management offices and unified trading operations in equities securities for the National Capital Region to the Fort Bonifacio Global City.

OPERATIONAL AND FINANCIAL INFORMATION

Market for issuer's common equity and related stockholders' matters

Market information

Principal market where the registrant's common equity is traded

The common stock of the Company is listed in the Philippine Stock Exchange, Inc.

Stock Prices

The high and low prices of the Company's shares in the stock exchange from January 4, 2005 to December 29, 2005 are P155 and P105, respectively. It closed at P150 on December 29, 2005.

The high and low prices of the Company's shares in January 2006 are P146 and P140, respectively. The stock price of the Company closed at P145 on January 31, 2006.

Stockholders

The number of stockholders of record as of December 31, 2005 is 194. Total shares outstanding as of December 31, 2005 is 15,277,511 shares with a par value of P1.00.

The number of stockholders of record as of January 31, 2006 is 193. Total shares outstanding as of January 31, 2006 is 15,277,511 shares with a par value of P1.00.

Dividends

Dividends per share

P 2.00 in 2003
P16.00 in 2004
P 5.00 in 2005
P 5.76 in 2006

No dividends were declared in previous years.

Dividend declaration in 2006–The Board of Directors in its regular meeting on February 22, 2006 declared a cash dividend of P5.76 per share to stockholders of record as of March 9, 2006 payable on March 24, 2006.

Dividend policy

Payment of dividends depends upon the earnings, cash flow and financial condition of the Company.

Recent sale of unregistered securities

The Company did not sell unregistered or exempt securities and it did not issue securities constituting exempt transactions in the last three years.

Management's Discussion and Analysis and its Plan of Operations

2005 vs. 2004

Operating revenues amounted to P273.78 million or 98.99% higher than the level for the same period in 2004. This can be attributed primarily to higher revenues generated from listing, membership and service fees. The initial public offering fees from SM Investments Corporation and Manila Water Company, Inc., amounting to P32.9 million and P8.5 million, respectively, along with the P20-million additional listing fee from Pilipino Telephone Company, contributed 22.4% to the revenues. Listing fees increased by 99.5% from the previous year. Membership fees, which comprise 19.53% of total operating revenues, also increased by 56.20% due to higher transaction fees. Processing fees for block sales went up 305.10% as a result of higher volume. Also, a 12.72% year-on-year rise in membership fees from subscriptions was noted due to an increase in the number of Maktrade terminals and connections for communication front ends.

SCCP helped fuel the higher revenues of the Exchange as SCCP fees increased 1,833.85% from P2.04 million in 2004 to P39.43 million in 2005. These SCCP fees contributed 14.40% to the total operating revenues of the Exchange. The following developments contributed to the increase in the income of SCCP:

- an increase in total trade value from P246.95 billion in 2004 to P584.93 billion last year. Since May 2005, the total trade value is being based on gross trade, inclusive of block transactions and cross trades with the same flag. Last year's gross trade excluded block sale transactions and cross trades;
- an increase in clearing fee from 0.000009174 to 0.0001 or by one (1) basis point based on gross trade value effective May 2005.

Fees from data feed connections, which contributed 5.38% to the operating revenues of the Exchange, dropped 6.85% year-on-year or by P1.08 million due to the termination of contracts with some data vendors.

The operating expenses of the Exchange increased by 15.83% from P200.42 million in 2004 to P232.15 million in 2005 mainly because of the higher cost of the following items:

- market development expenses were 72.76% higher year-on-year as the Exchange held more seminars, conferences, road shows, industry briefings and other marketing and product development activities. Market development expenses in the amount of P4.18 million was well within the P4.67-million budget allocated for the purpose;
- manpower cost was 50.03% higher year-on-year due to the PSE's reorganization program, which included a special separation package of employees. Manpower cost in the amount of P112.43 million was also within the P118.85-million budget for manpower;
- office expenses grew 31.55% due to higher consumption of office supplies as well as the increased cost of printing and reproduction jobs.

However, some expenses decreased due to management's continued implementation of cost-cutting measures. Major savings came from the following items:

- trading technology, computer maintenance and other trading-related expenses which decreased by 30.12%;
- professional fees which shrank by 38.70%;
- conferences, meetings and seminars which declined by 20.20%;
- entertainment, amusement and recreation which decreased by 14.73%;
- miscellaneous expenses which went down by 46.55%.

Non-operating income in 2005 amounted to P99.00 million, or 3.02% lower than its level in 2004, due to the P7-million loss in foreign exchange. At the same time, higher non-operating income was registered in 2004 from the gain on the sale of marketable securities of almost P4 million.

Net income after tax was registered at P119.80 million, up by 440.85% from the previous year's P22.15 million.

Total resources reached P1.97 billion, or 9.66% higher than the level a year earlier.

Cash and cash equivalents, amounting to P98.35 million or 5% of total resources, were 75.62% bigger than their total in 2004. Short-term and available-for-sale investments, amounting to P356.38 million, or 18% of total assets, were down by 13.33% year-on-year as the Exchange favored more long-term investments in its fund mix. Account receivables, which made up 1% of total assets, increased by P13.56 million or from P11.81 million in 2004 to P25.37 million in 2005.

Long-term investments rose by 37.42% year-on-year to P750.37 million and represented 37% of total resources. Additional investments were made in foreign exchange traded notes, promissory notes, and US dollar-denominated bonds floated by the Republic of the Philippines.

Other assets declined year-on-year by 4.57% to P85.54 million due to the reduction in outstanding investments with a local bank that was placed under receivership.

Current liabilities, which accounted for 7% of total liabilities and stockholders' equity, increased by 87.01% to P113.88 million, mainly because of accruals in unpaid liabilities to suppliers who were contracted by the Company in 2005.

The Company remained liquid with working capital of P394.86 million and a current ratio of 3.31:1.

Retained earnings amounted to P144.28 million, up 43.69% from their level for the same period last year, as the net income of the Company jumped to P119.80 million in 2005 from P22.60 million the year before. This income is net of the P76.39 million cash dividend declared also last year by the Company. The amount of retained earnings also went up after the Company made some adjustments to comply with the Philippine Accounting Standards (PAS).

Capital Expenditures

A new trading system with an estimated cost of P110 million was budgeted in 2005. However, the acquisition did not push through due to the need to further study and evaluate the system that will best fit the business objectives of the Company. The Board subsequently approved the acquisition of a new system in 2005, and a P56-million budget, representing half of the project's original cost, was considered on the assumption that the completion of the new trading system project will extend until 2006.

Liquidity

The Company does not anticipate any cash flow or liquidity problem within the next 12 months and is not in default of any note, loan, lease or other indebtedness or financing arrangement requiring the Company to make payments. The Company has been paying its trade payables within the stated trade terms.

The Company believes that, given the levels of its existing working capital, it has sufficient liquidity to fund acquisitions without resorting to external sources.

2004 vs. 2003

Operating revenues amounted to P137.58 million, up 23.16% from the same period in 2003. The increase can be attributed primarily to the higher membership fees of P22.59 million and listing fees of P6.29 million. Membership fees comprised 24.92% of total operating revenues while listing revenues accounted for 58.26%. The increase in operating revenues was also due in part to the reimposition in 2004 of the transaction fees that generated revenues amounting to P18.23 million. Transaction fees accounted for 13.25% of total operating revenues.

Fees from Maktrade subscriptions fell 60.82% to P4.24 million because of the relief earlier granted to brokers for the first terminal. Income from data feed connections contributed 11.49% to total operating revenues.

Operating expenses increased by 26.98% year-on-year to P200.42 million from P157.84 million mainly due to the increases in the following expense items:

- manpower costs, which went up by 7.11% due to additional hires;
- occupancy costs, which increased by 6.72% because of higher telecommunication expenses;
- depreciation and amortization, which expanded by 8.66% due to higher acquisition of property and equipment;
- trading technology, computer maintenance and other trading-related expenses, which grew by 66.09% due to additional connections and higher maintenance cost for the trading system;
- professional fees, which cost 392.78% more because of the increased cost of consultancy contracts entered into this year, and because of the training cost relative to SCCP's implementation of the clearing and settlement system;
- taxes and licenses cost 120.21% more due to the payment of local tax on the additional common area of Tektite office covering the period 1996-2004.

Non-operating income in 2004 reached P102.08 million, or 62.33% more than its amount last year, mainly due to the higher yield from the private placement and the adoption of a better investment mix.

Net income after tax was registered at P22.15 million, up by 106.15% from the previous year's P10.74 million.

Total resources reached P1.80 billion or 39.17% more than the number recorded for the same period last year.

Cash and cash equivalents amounted to P56.00 million, up 38.90% from their total for the same period last year. Short-term investments amounted to P411.17 million, up 642.14% from their level the previous year due to the additional cash inflow from the proceeds of the private placement. Account receivables declined by P21.96 million to P11.81 million as trading participants have settled their loans and the Company has implemented an efficient way to collect receivables from other clients.

Long-term investments rose to P546.03 million, an amount that is 27.94% bigger than its level a year ago, because additional investments were made in foreign exchange traded notes, promissory notes, and US dollar-denominated bonds of the Republic of the Philippines. Other assets rose by 10.70% to P89.63 million due to license and other related software of SCCP's clearing and settlement system, which amounted to P36.21 million. The assets increased notwithstanding the reduction in investments with a local bank that went into receivership.

Current liabilities increased to P60.89 million, or up by 2.10%, mainly because of accruals made for the Company's suppliers, who were contracted in 2004, wherein payment has not been made.

The Company remained liquid with working capital of P441.15 million and a current ratio of 8.24:1.

Retained earnings amounted to P100.41 million, which was lower by 68.61% from a year ago, primarily because of the declaration of P244.44 million in cash dividends.

2003 vs. 2002

Operating revenues reached P111.71 million, an amount that was 29.96% lower than their total for the same period in 2002, due to a drop in listing activities, which in turn pared down the listing revenues of the Company. Trading-related income was also lower due to the delay in collecting payment from the data feed vendors and due to the absence of processing fees for block sales during the first three quarters of 2003. Membership fees also declined because no processing was undertaken and fewer subscription fees were earned.

Operating expenses decreased by 6.37% to P157.84 million mainly due to non-amortization of pre-operating expenses in 2003 and due further to the cost-cutting measures that were implemented by management.

The Company realized a net income before tax of P18.41 million, which was 55.91% lower than the P41.77 million it recorded for the same period last year.

Non-operating income amounted to P62.89 million, or 26.65% higher than the level for the same period a year ago, because of optimum yields from a more organized investment mix.

Total resources reached P1.29 billion, slightly higher than the P1.27 billion amount tallied the previous year.

Cash and cash equivalents amounted to P40.32 million, or 60.32% more than the total a year before, primarily because of the lower utilization of cash resources for the investment activities of the Company.

Short-term investments, amounting to P55.40 million, shrank by 59.28% year-on-year, as funds were redirected to long-term investments. Account receivables declined by P3.29 million to P21.96 million due to lower listing activities and an improvement in the collection schedule of the Company. Equity investments were recorded at P67.05 million, an amount which was 14.65% higher than its total for the same period last year, mainly because of the share in the net income of Philippine Central Depository, Inc.

Long-term investments year-on-year rose 28.01% to P426.79 million as additional investments were made in foreign exchange traded notes, promissory notes, and US dollar-denominated bonds of the Republic of the Philippines. Other assets dropped by 21.69% to P76.50 million due to a reversal of the unamortized pre-operating expenses of SCCP in compliance with SFAS 38 /IAS 38 rule starting 2003. Previously, such expenses were deferred. This is also due to a reduction in the outstanding investments of the Company with a local bank that went into receivership.

Current liabilities increased by 39.15% to P59.64 million, mainly because of P18.40 million in dividends declared during the year. A P1.37-million reduction in the liabilities is due to the decrease in income tax payable.

The Company remained liquid with P72.12 million in working capital and a current ratio of 2.21:1.

Retained earnings declined year-on-year by 2.34% to P319.93 million, primarily because of the reversal of unamortized pre-operating expenses in compliance with SFAS 38 / IAS 38 rule and declaration of cash dividend notwithstanding net income generated for the period.

PLANS AND PROSPECTS

Now on its second year, the LEAP-A-MILE strategic agenda will harness the momentum gathered in 2005 to push further the development of the capital market and introduce reforms in support of market integrity and operational efficiency.

The Company's reorganization reaffirms its resolve to create a stronger and more responsive workforce. Market breadth and liquidity will increase through an expanded menu of stocks, products and services and by advocating legislative reforms to boost stakeholders' interest.

Market depth will improve by mounting intensified market education initiatives and investor awareness programs and by tapping a broad range of media contacts to expand the reach of our marketing campaign. Long-term benefits will be derived from nationwide workshops that the Company will continue to give to school faculty members and students and from supporting a proposal to include a capital market subject in the curricula of business colleges.

Several measures, such as the procurement of a new trading system and new market surveillance system and a shift to the free float method in computing the Index, will serve as strong catalysts in improving market integrity and in gaining public trust. The Company posted a positive bottomline in 2005 after operating at a loss for several years. The Company believes it can sustain the positive trend in 2006.

Changes in disagreements with accountants on accounting and financial disclosure

The Company retained the services of the auditing firm of SyCip Gorres Velayo & Co. (SGV & Co.) as its independent auditors. The Company has not changed its auditors in the last three years and has not had any disagreements on accounting and financial disclosures with the SGV at any point during the last three years or any subsequent interim periods.

Financial Highlights

IN THOUSAND PESOS

	GROUP			PARENT		
	2003	2002	% CHANGE	2003	2002	% CHANGE
RESULTS OF OPERATIONS:						
TOTAL REVENUES	111,712	159,491	(29.96)	110,188	158,177	(30.34)
Listing Fees	73,476	122,310	(39.93)	73,476	122,310	(39.93)
Subscription Fees	6,981	6,448	8.27	6,981	6,448	8.27
Data Feed Income	15,890	14,870	6.86	15,890	14,870	6.86
TOTAL OPERATING EXPENSES	157,836	168,569	(6.37)	153,467	164,197	(6.37)
Income (Loss) from Operations	(46,124)	(9,077)	408.12	(43,279)	(6,020)	618.92
Non-Operating Income-net	62,887	49,656	26.65	60,465	47,821	26.44
NET INCOME AFTER TAX	10,746	31,383	(65.76)	10,746	31,383	(65.76)
YEAR-END FINANCIAL CONDITIONS:						
TOTAL ASSETS	1,294,124	1,268,239	2.04	1,037,664	1,024,382	0.80
Cash and Short Term Cash Investments	95,721	161,195	(40.62)	88,876	153,050	(41.93)
Long Term Investment	426,789	333,410	(28.01)	426,789	333,410	(28.01)
Property and Equipment	341,699	348,767	(2.03)	341,654	348,500	(2.03)
TOTAL LIABLITIES	309,969	274,779	12.81	53,953	38,017	41.92
Due to SEC	10,538	6,448	63.44	10,538	6,448	63.44
Clearing and Trade Guarantee Fund	240,330	221,919	8.30	–	–	–
STOCKHOLDERS' EQUITY	983,710	991,365	0.77	983,710	991,365	0.77

	GROUP			PARENT		
	2005	2004	% CHANGE	2005	2004	% CHANGE
RESULTS OF OPERATIONS:						
TOTAL REVENUES	273,777	137,582	98.99	234,247	135,498	72.88
Listing Fees and processing fees	159,888	80,152	99.48	159,888	80,152	99.48
Membership Fees	53,457	34,285	55.92	53,457	34,285	55.92
Data Feed Income	14,722	15,803	(6.84)	14,722	15,803	(6.84)
TOTAL OPERATING EXPENSES	232,154	200,425	15.83	205,552	191,648	7.25
Income(Loss) from Operations	41,623	(62,843)	166.23	28,695	(56,150)	151.10
Non-Operating Income-net	99,004	102,085	(3.02)	98,054	101,505	(3.40)
NET INCOME AFTER TAX	119,805	22,151	440.86	99,734	28,363	251.63
YEAR-END FINANCIAL CONDITIONS:						
TOTAL ASSETS	1,975,031	1,801,003	9.66	1,652,075	1,547,080	6.79
Cash and cash equivalents	98,350	56,002	75.62	85,810	41,574	106.40
Short-term Available-for-Sale investments	356,376	411,169	(13.33)	340,970	411,169	(17.07)
Long-term Available-for-Sale investments	750,371	546,032	37.42	750,371	546,032	37.42
Property and Equipment	310,231	325,481	(4.69)	307,519	323,539	(4.95)
TOTAL LIABLITIES	434,031	331,649	30.87	100,545	46,923	114.28
Current Liabilities	113,877	60,893	180.35	157,379	46,923	235.40
Clearing and Trade Guarantee Fund	310,090	260,756	18.92	–	–	–
Credit Ring Agreement	10,064	10,000	0.64	–	–	–
STOCKHOLDERS' EQUITY	1,541,000	1,469,353	12.82	1,551,530	1,547,080	10.46

Statement of Management's Responsibility for
Financial Statements

THE PHILIPPINE STOCK EXCHANGE INC.

The management of The Philippine Stock Exchange, Inc. is responsible for all information and representations contained in the balance sheets of The Philippine Stock Exchange, Inc. and its Subsidiary (the Group) and the Philippine Stock Exchange, Inc. (the Parent Company) and the related statements of income, changes in stockholders' equity and cash flows as of ended December 31, 2005 and 2004.The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgement of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. The current management likewise discloses to audit committee and to its external auditor:
(i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weakness in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statement before such statements are approved and submitted to the stockholders of PSE.

SyCip, Gorres, Velayo & Co., the independent auditors appointed by the stockholders, have audited the financial statements of the Group in accordance with generally accepted auditing standards and have expressed their opinion on the fairness of presentation upon completion of such exmination, in its report to the Board of Directors and stockholders.

JOSE C. VITUG
Chairman

FRANCISCO Ed. LIM
President &
Chief Executive Officer

MARIETTA U. TAN
VP, Finance & Investments Group

REPUBLIC OF THE PHILIPPINES}
CITY OF MAKATI}

SUBSCRIBED AND SWORN to before me this day of March 01, 2006 at Makati City affiant exhibiting before me their respective Community Tax Certificates:

NAME	COMMUNITY TAX CERTIFICATE	PLACE/DATE OF ISSUE
JOSE C. VITUG	14006785	9-30-05 / Manila
FRANCISCO Ed. LIM	18200679	2-28-05/Makati City
MARIETTA U. TAN	23062677	4-15-05 / Mandaluyong

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Series of 2006

CHRISTIAN GRANT Y. TOMAS
Notary Public
Until December 31, 2006
Ptr No. 4186258;01-05-06; Makati City
Ibp No. 666817; 01-05-06; Makati City
Roll Of Attorneys No. 51102
Notarial Commission No. M-590
5F Montepino Bldg.,138 Amorsolo St,
Legaspi Village, Makati City

Report of Independent Auditors

The Stockholders and the Board of Directors
The Philippine Stock Exchange, Inc.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

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, 2005 and 2004, 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, 2005 and 2004, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Philippines.

SYCIP GORRES VELAYO & CO.

Amelia B. Cabal
Partner
CPA Certificate No. 15534
SEC Accreditation No. 0068-A
Tax Identification No. 105-342-543
PTR No. 4180815, January 2, 2006, Makati City

February 22, 2006

Balance Sheets

	Group		Parent Company	
	December 31			
	2005	2004 (As restated - Note 2)	2005	2004 (As restated - Note 2)
ASSETS				
Current Assets				
Cash and cash equivalents (Note 6)	P98,350,476	P56,002,372	P85,809,538	P41,573,872
Short-term available-for-sale investments, at market (Note 7)	356,375,711	–	340,970,487	–
Short-term investments (Notes 2 and 7)	–	411,168,618	–	411,168,618
Accounts receivable - net (Notes 2 and 8)	25,374,240	11,810,076	21,923,674	11,990,337
Other current assets (Note 9)	28,639,519	23,066,921	28,058,775	22,759,873
Total Current Assets	508,739,946	502,047,987	476,762,474	487,492,700
Long-term Available-for-Sale Investments, at market (Note 10)	750,370,716	–	750,370,716	–
Long-term Investments (Note 10)	–	546,032,018	–	546,032,018
Property and Equipment - net (Note 11)	310,230,917	325,481,197	307,519,111	323,538,867
Investment in Subsidiary (Note 12)	–	–	69,545,393	–
Equity Investments (Note 12)	–	67,050,657	–	136,596,050
Investments of:				
Clearing and Trade Guaranty Fund (Note 13)	310,089,837	260,756,137	–	–
Credit Ring Agreement Fund (Note 14)	10,064,145	10,000,000	–	–
Other Assets - net (Note 15)	85,535,581	89,634,943	47,877,765	53,420,546
	P1,975,031,142	P1,801,002,939	P1,652,075,459	P1,547,080,181
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities				
Current Liabilities				
Accounts payable, accrued expenses and other current liabilities (Notes 16 and 24)	P81,386,706	P57,470,939	P68,054,415	P43,500,955
Dividends payable	3,428,122	2,506,220	3,428,122	2,506,220
Income tax payable	1,520,671	916,185	1,520,671	916,185
Deferred fees	27,541,689	–	27,541,689	–
Total Current Liabilities	113,877,188	60,893,344	100,544,897	46,923,360
Due to:				
Clearing and Trade Guaranty Fund (Note 13)	310,089,837	260,756,137	–	–
Credit Ring Agreement Fund (Note 14)	10,064,145	10,000,000	–	–
	434,031,170	331,649,481	100,544,897	46,923,360
Stockholders' Equity				
Capital stock (Note 1)	15,277,513	15,277,513	15,277,513	15,277,513
Additional paid-in capital (Note 1)	976,506,942	976,506,942	976,506,942	976,506,942
Donated capital (Note 17)	382,404,823	377,157,404	382,404,823	377,157,404
Treasury stock	(2)	(2)	(2)	(2)
Retained earnings	144,280,308	100,411,601	155,012,375	131,214,964
Net unrealized gain on available-for-sale investments (Notes 7 and 10)	22,530,388	–	22,328,911	–
	1,540,999,972	1,469,353,458	1,551,530,562	1,500,156,821
	P1,975,031,142	P1,801,002,939	P1,652,075,459	P1,547,080,181

See accompanying Notes to Financial Statements.

Statements of Income

	Group		Parent Company	
	Years Ended December 31			
	2005	2004 (As restated - Note 2)	2005	2004 (As restated - Note 2)
OPERATING INCOME				
Listing-related:				
Listing fees	P159,246,585	P79,821,920	P159,246,585	P79,821,920
Processing fees	641,000	330,000	641,000	330,000
Membership fees (Note 24):				
Transaction	28,477,622	18,231,942	28,477,622	18,231,942
Subscription	12,654,000	11,225,922	12,654,000	11,225,922
Processing	9,874,361	2,437,504	9,874,361	2,437,504
Assessment	1,641,170	1,659,924	1,641,170	1,659,924
Entrance	810,000	730,000	810,000	730,000
Service fees	39,430,664	2,038,971	–	–
Data feed	14,721,650	15,803,469	14,721,650	15,803,469
Miscellaneous (Notes 24 and 27)	6,280,324	5,302,532	6,180,324	5,257,532
	273,777,376	137,582,184	234,246,712	135,498,213
OTHER INCOME - Net (Note 20)	99,004,200	102,085,221	98,053,558	101,504,733
OPERATING EXPENSES				
Compensation and other related staff costs (Notes 18 and 22)	112,435,687	74,942,786	107,767,931	72,124,295
Occupancy costs (Note 19)	35,992,922	34,451,256	35,632,922	34,139,256
Depreciation and amortization (Notes 11 and 15)	27,708,807	32,140,156	21,645,903	32,078,564
Professional fees	13,020,975	21,242,058	12,508,008	16,454,291
Infrastructure fee	11,790,007	–	–	–
Trading technology, computer maintenance and other trading-related costs	7,215,114	10,324,375	7,215,114	10,324,375
Membership development	4,383,907	3,396,868	4,383,907	3,396,868
Market development	4,176,184	2,417,381	4,176,184	2,417,381
Taxes and licenses	4,109,762	8,058,452	4,092,536	8,041,760
Office expenses	3,995,009	3,036,901	3,381,603	2,968,045
Travel and transportation	2,812,588	2,809,125	2,793,381	2,798,782
Training and development	1,851,587	–	–	–
Insurance	607,276	618,989	607,276	618,989
Entertainment, amusement and recreation (Note 21)	492,188	577,209	474,488	564,961
Conferences, meetings and seminars	425,485	533,198	386,330	504,218
Loss on trading error (Note 27)	–	3,748,800	–	3,748,800
Miscellaneous	1,137,004	2,127,290	486,184	1,467,635
	232,154,502	200,424,844	205,551,767	191,648,220
INCOME BEFORE INCOME TAX	140,627,074	39,242,561	126,748,503	45,354,726
PROVISION FOR INCOME TAX (Note 21)	20,821,819	17,091,096	27,014,544	16,992,070
NET INCOME	P119,805,255	P22,151,465	P99,733,959	P28,362,656
Attributable to:				
Equity holders of the Parent Company	P119,805,255	P22,596,301	P99,733,959	P28,362,656
Minority interest	–	(444,836)	–	–
	P119,805,255	P22,151,465	P99,733,959	P28,362,656
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 23)	P7.84	P1.53	P6.53	P1.92

See accompanying Notes to Financial Statements.

Statements of Changes in Stockholders' Equity

Group

	Capital Stock (Note 1)	Additional Paid-in Capital (Note 1)	Donated Capital (Note 17)	Treasury Stock	Net Unrealized Gain on Available-for-Sale Investments	Retained Earnings (Note 2)	Total	Minority Interest	Total Stockholders' Equity
Balance at December 31, 2003, as previously reported	P9,200,008	P277,426,988	P377,157,404	(P2)	P–	P319,925,680	P983,710,078	P444,836	P984,154,914
Effect of change in accounting for (Note 2)									
Investment in subsidiary in separate financial statements - Philippine Accounting Standard (PAS) 27	–	–	–	–	–	–	–	–	–
Retirement benefits - net - PAS 19	–	–	–	–	–	2,329,684	2,329,684	–	2,329,684
Restated balance	9,200,008	277,426,988	377,157,404	(2)	–	322,255,364	986,039,762	444,836	986,484,598
Net income for the year (Note 2)	–	–	–	–	–	22,596,301	22,596,301	–	22,596,301
Cash dividend (Note 27)	–	–	–	–	–	(244,440,064)	(244,440,064)	–	(244,440,064)
Issuance of capital stock during the year	6,077,505	–	–	–	–	–	6,077,505	–	6,077,505
Additional paid-in capital on issuance of new shares during the year – net (Note 12)	–	699,079,954	–	–	–	–	699,079,954	–	699,079,954
Share in net loss of a minority interest	–	–	–	–	–	–	–	(444,836)	(444,836)
Balance at December 31, 2004	15,277,513	976,506,942	377,157,404	(2)	–	100,411,601	1,469,353,458	–	1,469,353,458
Cumulative effect of change in accounting for financial instruments - PAS 39 (Note 2)	–	–	–	–	–	450,977	450,977	–	450,977
Restated balance	15,277,513	976,506,942	377,157,404	(2)	–	100,862,578	1,469,804,435	–	1,469,804,435
Net unrealized gain during the year (Notes 7 and 10)	–	–	–	–	22,530,388	–	22,530,388	–	22,530,388
Net income for the year (Note 23)	–	–	–	–		119,805,255	119,805,255	–	119,805,255
Total recognized income and expense for the year	–	–	–	–	22,530,388	119,805,255	142,335,643	–	142,335,643
Cash dividend (Note 27)	–	–	–	–	–	(76,387,525)	(76,387,525)	–	(76,387,525)
Additional donated capital during the year	–	–	5,247,419	–	–	–	5,247,419	–	5,247,419
Balance at December 31, 2005	P15,277,513	P976,506,942	P382,404,823	(P2)	P22,530,388	P144,280,308	P1,540,999,972	P–	P1,540,999,972

See accompanying Notes to Financial Statements.

Parent Company

	Capital Stock (Note 1)	Additional Paid-in Capital (Note 1)	Donated Capital (Note 17)	Treasury Stock	Net Unrealized Gain on Available-for-Sale Investments	Retained Earnings (Note 2)	Total	Minority Interest	Total Stockholders' Equity
Balance at December 31, 2003 as previously reported	9,200,008	277,426,988	377,157,404	(P2)	–	319,925,680	P983,710,078	–	P983,710,078
Effect of change in accounting for (Note 2):									
Investment in subsidiary in separate financial statements - Philippine Accounting Standard (PAS) 27	–	–	–	–	–	25,037,008	25,037,008	–	25,037,008
Retirement benefits - net - PAS 19	–	–	–	–	–	2,329,684	2,329,684	–	2,329,684
Restated balance	9,200,008	277,426,988	377,157,404	(2)	–	347,292,372	1,011,076,770	–	1,011,076,770
Net income for the year (Note 23)	–	–	–	–	–	28,362,656	28,362,656	–	28,362,656
Cash dividend (Note 27)	–	–	–	–	–	(244,440,064)	(244,440,064)	–	(244,440,064)
Issuance of capital stock during the year	6,077,505	–	–	–	–	–	6,077,505	–	6,077,505
Additional paid-in capital on issuance of new shares during the year - net	–	699,079,954	–	–	–	–	699,079,954		699,079,954
Share in net loss of a minority interest (Note 12)	–	–	–	–	–	–	–	–	–
Balance at December 31, 2004	15,277,513	976,506,942	377,157,404	(2)	–	131,214,964	1,500,156,821	–	1,500,156,821
Cumulative effect of change in accounting for financial instruments - PAS 39 (Note 2)	–	–	–	–	–	450,977	450,977	–	450,977
Restated balance	15,277,513	976,506,942	377,157,404	(2)	–	131,665,941	1,500,607,798	–	1,500,607,798
Net unrealized gain during the year (Notes 7 and 10)	–	–	–	–	22,328,911	–	22,328,911	–	22,328,911
Net income for the year (Note 23)	–	–	–	–	–	99,733,959	99,733,959	–	99,733,959
Total recognized income and expense for the year	–	–	–	–	22,328,911	99,733,959	122,062,870	–	122,062,870
Cash dividend (Note 27)	–	–	–	–	–	(76,387,525)	(76,387,525)	–	(76,387,525)
Additional donated capital during the year	–	–	5,247,419	–	–	–	5,247,419	–	5,247,419
Balance at December 31, 2005	P15,277,513	P976,506,942	P382,404,823	(P2)	P22,328,911	P155,012,375	P1,551,530,562	P–	P1,551,530,562

See accompanying Notes to Financial Statements.

Statements of Cash Flows

	Group		Parent Company	
	Years Ended December 31			
	2005	2004 (As restated - Note 2)	2005	2004 (As restated - Note
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	P140,627,074	P39,242,561	P126,748,503	P45,354,726
Adjustments for:				
Interest income (Note 20)	(109,103,011)	(95,584,829)	(108,434,181)	(95,189,912)
Depreciation and amortization (Notes 11 and 15)	27,708,807	32,140,156	21,645,903	32,078,564
Provision for (reversal of) impairment losses	3,613,560	(13,389)	3,613,560	(13,389)
Gain on disposal of:				
Short-term investments	–	(3,611,079)	–	(3,611,079)
Property and equipment	(990)	(235,000)	(1)	(235,000)
Operating income (loss) before working capital changes	62,845,440	(28,061,580)	43,573,784	(21,616,090)
Changes in operating assets and liabilities:				
Decrease (increase) in the amounts of:				
Accounts receivable	(13,551,634)	10,168,312	(9,920,807)	10,377,555
Other current assets	(4,894,949)	653,368	(4,325,492)	661,255
Increase (decrease) in accounts payable, accrued expenses and other current liabilities	23,915,767	11,913,155	24,553,460	10,053,379
Increase in deferred fees	27,541,689	–	27,541,689	–
Net cash generated from (used in) operations	95,856,313	(5,326,745)	81,422,634	(523,901)
Interest received	108,876,339	81,464,983	107,911,748	81,275,616
Income taxes paid	(24,488,666)	(20,932,363)	(23,862,156)	(20,833,337)
Net cash provided by operating activities	180,243,986	55,205,875	165,472,226	59,918,378
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in (Note 2):				
Short-term available-for-sale investments	56,147,410	–	71,351,157	–
Short-term investments	–	(355,765,148)	–	(361,765,148)
Long-term available-for-sale investments	(114,490,827)	–	(114,490,827)	–
Long-term investments	–	(183,417,424)	–	(183,417,424)
Other assets	3,153,467	2,739,789	2,994,879	32,529,672
Proceeds from sale of investments	–	67,785,750	–	67,785,750
Additional investment in Securities Clearing Corporation of the Philippines	–	–	–	(44,045,393)
Acquisitions of property and equipment (Note 11)	(7,241,310)	(16,868,625)	(5,626,147)	(14,909,474)
Proceeds from disposal of property and equipment	1,001	1,181,365	1	1,181,365
Net cash used in investing activities	(62,430,259)	(484,344,293)	(45,770,937)	(502,640,652)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of capital stock (Note 1)	–	705,157,457	–	705,157,457
Dividend payment	(75,465,623)	(260,333,860)	(75,465,623)	(260,333,860)
Net cash provided by (used in) financing activities	(75,465,623)	444,823,597	(75,465,623)	444,823,597
NET INCREASE IN CASH AND CASH EQUIVALENTS	42,348,104	15,685,179	44,235,666	2,101,323
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	56,002,372	40,317,193	41,573,872	39,472,549
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	P98,350,476	P56,002,372	P85,809,538	P41,573,872

See accompanying Notes to Financial Statements.

Notes to Financial Statements

1. Corporate Information

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

On August 8, 2001, the Parent Company was converted from a non-stock corporation to a stock corporation (demutualization) with an authorized capital stock of 36.8 million divided into P36.8 million shares at a par value of P1.00 per share as prescribed by Republic Act (RA) No. 8799 entitled "Securities Regulation Code" (SRC) and 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 P1.00 per share. The remaining balance of the Membership Contributions account of P277.4 million shall be treated as additional paid-in capital;
c. Issuance of trading rights to brokers in recognition of the existing seat ownership by the brokers;
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.

On December 15, 2003, the Parent Company's shares of stock were listed by way of introduction of its outstanding shares to comply with the requirements mandated by the SRC, particularly the conversion of the Parent Company into a stock corporation.

On January 28, 2004, the Parent Company offered 6,077,505 unissued shares to the private sector to comply with SRC's mandate regarding the ownership of an exchange. Gross proceeds from the private placement offering amounted to P726.3 million, inclusive of additional paid-in capital of P720.2 million representing premium over the par value of the common stock. Expenses related to the offering amounting to P21.1 million were recorded as a reduction of the additional paid-in capital. As of December 31, 205 and 2004, the Parent Company had issued 15,277,513 shares. Security Clearing Corporation of the Philippines (SCCP), a wholly-owned subsidiary of the Parent Company, was given a temporary license to operate by the SEC and started its commercial operations on January 3, 2000. On January 15, 2002, the SEC approved 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.

The accompanying financial statements were authorized for issue by the board of directors (BOD) on February 22, 2006.

2. Summary of Significant Accounting Policies

Basis of Financial Statement Preparation
The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS). These are the first annual financial statements of the Group prepared in accordance with PFRS.

The accompanying financial statements have been prepared on the historical cost basis, except for short-term and long-term available-for-sale (AFS) investments and investments of Clearing and Trade Guaranty Fund (CTGF) and Credit Ring Agreement Fund (CRAF) that have been measured at fair value.

The Group applied PFRS 1, *First-time Adoption of International Financial Reporting Standards*, in preparing the accompanying financial statements, with January 1, 2004 as the date of transition. The Group applied the accounting policies set forth below to all the years presented except those relating to financial instruments. An explanation of how the adoption of PFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided below.

The adoption of PFRSs resulted in certain changes to the Group's previous accounting policies (referred to in the following tables and explanations as "previous GAAP"). The comparative figures for the 2004 financial statements were restated to reflect the changes in policies except those relating to financial instruments. The Group elected to apply the following optional exemptions from full retrospective application:

Restatement of comparative financial information for Philippine Accounting Standard (PAS) 32 and PAS 39
The Group applies previous generally accepted accounting principles (GAAP) rules to financial instruments for the comparative information for 2004.

Designation of financial assets and financial liabilities
The Group reclassified various investments as AFS investments. The adjustments relating to PAS 32 and PAS 39 at the opening balance sheet date of January 1, 2005, the PAS 32 and PAS 39 transition date, is discussed in the Reconciliation of financial position.

In addition, the Group elected to apply the mandatory exemption from full retrospective application. In respect of the other provisions of PAS 32 and PAS 39, the application of the exemption from restating comparatives for PAS 32 and PAS 39 means that the Group recognized the effects of transitions to PAS 32 and PAS 39 only in the Retained Earnings balance as of January 1, 2005. Management did not choose to apply PAS 32 and PAS 39 at an earlier date as allowed by PFRS 1.

An explanation of the effects of the adoption of PFRSs is set forth in the following tables and notes.

Reconciliation of financial position follows:

		Group					
		December 31, 2004 (end of last period presented under previous GAAP)			January 1, 2004 (date of transition)		
Account Description	Note	Previous GAAP	Effect of Transition to PFRS	PFRS	Previous GAAP	Effect of Transition to PFRS	PFRS
ASSETS							
Current Assets							
Cash and cash equivalents		P56,002,372	P –	P 56,002,372	P 40,317,193	P–	P 40,317,193
Short-term available-for-sale investments	a	–	408,602,809*	408,602,809	–	–	–
Short-term investments	a	411,168,618	(411,168,618)*	–	69,399,059	–	69,399,059
Accounts receivable - net		11,810,076	–	(11,810,076)	21,964,999	–	21,964,999
Other current assets - net		23,066,921		23,066.921	9,600,443	–	9,600,443
Total Current Assets		502,047,987	(2,565,809)	499,482,178	141,281,694	–	141,281,694
Long-term Available-for-Sale Investments	b	–	583,661,282*	583,661,282	–	–	–
Long-term Investments	b	546,032,018	(546,032,018)*	–	412,793,676	–	412,793,676
Property and Equipment - net		325,481,197	–	325,481,197	341,699,093	–	341,699,093
Equity Investments	b	67,050,657	(67,050,657)*	–	67,050,657	–	67,050,657
Investments of:							
Clearing and Trade Guaranty Fund	d	260,756,137	(1,364,654)*	259,391,483	240,330,013	–	240,330,013
Credit Ring Agreement Fund	d	10,000,000	273,108*	10,273,108	10,000,000	–	10,000,000
Other Assets - net	e	88,689,736	945,207	89,634,943	80,968,987	1,911,535	82,880,522
		P1,800,057,732	(P32,133,541)	P1,767,924,191	P1,294,124,120	P1,911,535	P1,296,035,655
LIABILITIES AND STOCKHOLDERS' EQUITY							
Liabilities							
Current Liabilities							
Accounts payable, accrued expenses and other current liabilities	f	P61,688,288	(P4,217,349)	P57,470,939	P40,031,690	(P418,149)	P39,613,541
Dividends payable		2,506,220	–	2,506,220	18,400,016	–	18,400,016
Income tax payable		916,185	–	916,185	1,207,485	–	1,207,485
Total Current Liabilities		65,110,693	(4,217,349)	60,893,344	59,639,191	(418,149)	59,221,042
Due to:							
Clearing and Trade Guaranty Fund	d	260,756,137	(1,364,654)*	259,391,483	240,330,013	–	240,330,013
Credit Ring Agreement Fund	d	10,000,000	273,108*	10,273,108	10,000,000	–	10,000,000
		335,866,830	(5,308,895)	330,557,935	309,969,204	(418,149)	309,551,055
Minority Interest in Subsidiary	g	–	–	–	444,836	(444,836)	–
Stockholders' Equity							
Capital stock		15,277,513	–	15,277,513	9,200,008	–	9,200,008
Additional paid-in capital		976,506,942	–	976,506,942	277,426,988	–	277,426,988
Donated capital		377,157,404	–	377,157,404	377,157,404	–	377,157,404
Treasury stock		(2)	–	(2)	–	–	–
Retained earnings	h	95,249,045	5,613,533*	100,862,578	319,925,680	2,329,684	322,255,364
Net unrealized loss on available-for-sale investments	i	–	(32,438,179)*	(32,438,179)	–	–	–
Minority interest in a subsidiary	g	–	–	–	–	444,836	444,836
		1,464,190,902	(26,824,646)	1,437,366,256	983,710,080	2,774,520	986,484,600
		P1,800,057,732	(P32,133,541)	P1,767,924,191	P1,294,124,120	P1,911,535	P1,296,035,655

** Includes restatements as of January 1, 2005 covering PAS 39.*

		Parent Company					
		December 31, 2004 (end of last period presented under previous GAAP)			January 1, 2004 (date of transition)		
Account Description	Note	Previous GAAP	Effect of Transition to PFRS	PFRS	Previous GAAP	Effect of Transition to PFRS	PFRS
ASSETS							
Current Assets							
Cash and cash equivalents		P41,573,872	P–	P41,573,872	P39,472,549	P–	P39,472,549
Short-term available-for-sale investments	a	–	408,602,809*	408,602,809	–	–	–
Short-term investments	a	411,168,618	(411,168,618)*	–	63,399,059	–	63,399,059
Accounts receivable - net		11,990,337	–	11,990,337	22,354,503	–	22,354,503
Other current assets - net		22,759,873	–	22,759,873	9,506,832	–	9,506,832
Total Current Assets		487,492,700	(2,565,809)	484,926,891	134,732,943	–	134,732,943
Long-term Available-for-Sale Investments	b	–	583,661,282*	583,661,282	–	–	–
Long-term Investments	b	546,032,018	(546,032,018)*	–	412,793,676	–	412,793,676
Property and Equipment - net		323,538,867	–	323,538,867	341,654,322	–	341,654,322
Equity Investments	b/c	67,050,657	(67,050,657)*	–	67,513,649	(462,992)	67,050,657
Investment in Subsidiary	c	38,742,030	30,803,363*	69,545,393	–	25,500,000	25,500,000
Other Assets - net	e	52,475,339	945,207	53,420,546	80,968,987	1,911,535	82,880,522
		P1,515,331,611	(P238,632)	P1,515,092,979	P1,037,663,577	P26,948,543	P1,064,612,120
LIABILITIES AND STOCKHOLDERS' EQUITY							
Liabilities							
Current Liabilities							
Accounts payable, accrued expenses and other current liabilities	f	P47,718,304	(P4,217,349)	P43,500,955	P34,345,996	(P418,149)	P33,927,847
Dividends payable		2,506,220	–	2,506,220	18,400,016	–	18,400,016
Income tax payable		916,185	–	916,185	1,207,485	–	1,207,485
Total Current Liabilities		51,140,709	(4,217,349)	46,923,360	53,953,497	(418,149)	53,535,348
Stockholders' Equity							
Capital stock		15,277,513	–	15,277,513	9,200,008	–	9,200,008
Additional paid-in capital		976,506,942	–	976,506,942	277,426,988	–	277,426,988
Donated capital		377,157,404	–	377,157,404	377,157,404	–	377,157,404
Treasury stock		(2)	–	(2)	–	–	–
Retained earnings	h	95,249,045	36,416,896*	131,665,941	319,925,680	27,366,692	347,292,372
Net unrealized market loss on available-for-sale investments	i	–	(32,438,179)*	(32,438,179)	–	–	–
		1,464,190,902	3,978,717	1,468,169,619	983,710,080	27,366,692	1,011,076,772
		P1,515,331,611	(P238,632)	P1,515,092,979	P1,037,663,577	P26,948,543	P1,064,612,120

** Includes restatements as of January 1, 2005 covering PAS 39.*

Reconciliation of 2004 results of operations follows:

		Group			Parent Company		
Account Description	Note	Previous GAAP	Effect of Transition to PFRS	PFRS	Previous GAAP	Effect of Transition to PFRS	PFRS
OPERATING INCOME							
Listing-related:							
Listing fees		P79,821,920	P–	P79,821,920	P79,821,920	P–	P79,821,920
Processing fees		330,000	–	330,000	330,000	–	330,000
Membership fees							
Transaction		18,231,942	–	18,231,942	18,231,942	–	18,231,942
Subscription		11,225,922	–	11,225,922	11,225,922	–	11,225,922
Processing		2,437,504	–	2,437,504	2,437,504	–	2,437,504
Assessment		1,659,924	–	1,659,924	1,659,924	–	1,659,924
Entrance		730,000	–	730,000	730,000	–	730,000
Data feed		15,803,469	–	15,803,469	15,803,469	–	15,803,469
Service fees		2,038,971	–	2,038,971	–	–	–
Miscellaneous		5,302,532	–	5,302,532	5,257,532	–	5,257,532
		137,582,184		137,582,184	135,498,213		135,498,213
OTHER INCOME - net	c	102,085,221	–	102,085,221	95,738,378	5,766,355	101,504,733
OPERATING EXPENSES							
Compensation and other related staff costs	j	78,261,715	(3,318,929)	74,942,786	75,443,224	(3,318,929)	72,124,295
Occupancy costs		34,451,256	–	34,451,256	34,139,256	–	34,139,256
Depreciation		32,140,156	–	32,140,156	32,078,564	–	32,078,564
Professional fees		21,242,058	–	21,242,058	16,454,291	–	16,454,291
Trading technology, computer maintenance and other trading-related costs		10,324,375	–	10,324,375	10,324,375	–	10,324,375
Taxes and licenses		8,058,452	–	8,058,452	8,041,760	–	8,041,760
Loss on trading error		3,748,800	–	3,748,800	3,748,800	–	3,748,800
Membership development		3,396,868	–	3,396,868	3,396,868	–	3,396,868
Office expenses		3,036,901	–	3,036,901	2,968,045	–	2,968,045
Travel and transportation		2,809,125	–	2,809,125	2,798,782	–	2,798,782
Market development		2,417,381	–	2,417,381	2,417,381	–	2,417,381
Insurance		618,989	–	618,989	618,989	–	618,989
Conferences, meetings and seminars		533,198	–	533,198	504,218	–	504,218
Entertainment, amusement and recreation		577,209	–	577,209	564,961	–	564,961
Miscellaneous		2,127,290	–	2,127,290	1,467,635	–	1,467,635
		203,743,773	(3,318,929)	200,424,844	194,967,149	(3,318,929)	191,648,220
INCOME BEFORE INCOME TAX		35,923,632	3,318,929	39,242,561	36,269,442	9,085,284	45,354,726
PROVISION FOR INCOME TAX	k	16,605,039	486,057	17,091,096	16,506,013	486,057	16,992,070
NET INCOME		P19,318,593	P2,832,872	P22,151,465	P19,763,429	P8,599,227	P28,362,656

Notes to the reconciliation of financial positions as of January 1 and December 31,2004 and 2004 results of operations:

a. Adjustment on short-term AFS investments as of December 31, 2004 consists of:

Reclassification of short-term investments to short-term AFS investments	P411,168,618
Recognition of unrealized market loss on short-term investments reclassified to short-term AFS investments (item i)	(2,799,406)
Reversal of excess accretion of discount on short-term investments recognized under straight-line method based on previous GAAP (item h)	233,597
	P408,602,809

b. Adjustment on long-term AFS investments as of December 31, 2004 consists of:

Reclassification of long-term investments to long-term AFS investments	P546,032,018
Reclassification of equity investment to long-term AFS investments	67,050,657
Reversal of excess amortization of premium on long-term investments recognized under straight-line method based on previous GAAP (item h)	217,380
Recognition of unrealized market loss on long-term investments reclassified to long-term AFS investments (item i)	(29,638,773)
	P583,661,282

c. Adjustment on the Parent Company's investment in subsidiary consists of:

	2004	
	December 31	January 1
Reclassification of equity investment to investment in subsidiary	P–	P462,992
Reversal of equity in net loss of subsidiary:		
As of January 1, 2004 (item h)	25,037,008	25,037,008
In 2004	5,766,355	–
	P30,803,363	P25,500,000

Equity investment amounting to P67.1 million represents 12.23% ownership in Philippine Dealing System Holdings, Inc. (PDS Holdings) (see Note 12).

d. Adjustment on the Group's investment of CTGF and CRAF represents recognition of unrealized market gain on investments in government securities classified under AFS investments.

e. Adjustment on other assets consists of:

	2004	
	December 31	January 1
Recognition of retirement asset under PAS 19	P2,527,586	P3,007,857
Recognition of deferred tax liability on retirement asset	(808,827)	(962,514)
Reversal of deferred tax asset on reversal of retirement liability	(773,552)	(133,808)
	P945,207	P1,911,535

f. Adjustment on accounts payable, accrued expenses and other current liabilities consists of reversal of retirement liability recognized under the previous GAAP amounting to P4.2 million and P0.4 million as of December 31 and January 1, 2004, respectively.

g. This represents change in the presentation of minority interest in a subsidiary which resulted in increase in total stockholders' equity of the Group by P0.4 million as of January 1, 2004.

h. Adjustment to Retained Earnings consists of:

	Group		Parent Company	
	2004			
	December 31	January 1	December 31	January 1
Reversal of excess accretion of discount (item a)	P233,597	P–	P233,597	P–
Reversal of excess amortization of premium (item b)	217,380	–	217,380	–
Effect of change in accounting for investment in subsidiary in separate financial statement (item c)	–	–	30,803,363	25,037,008
Recognition of retirement assets, net of deferred tax asset (item e)	945,207	1,911,535	945,207	1,911,535
Reversal of retirement liability (item f)	4,217,349	418,149	4,217,349	418,149
	P5,613,533	P2,329,684	P36,416,896	P27,366,692

i. Adjustment on net unrealized loss on AFS investments as of December 31, 2004 consists of:

Recognition of unrealized market loss on short-term AFS investments (item a)	P2,799,406
Recognition of unrealized market loss on long-term AFS investments (item b)	29,638,773
	P32,438,179

j. Adjustment on compensation and other related staff costs in 2004 consists of:

Recognition of retirement expense under PAS 19	P480,271
Reversal of retirement expense under the previous GAAP	(3,799,200)
	(P3,318,929)

k. Adjustment on provision for deferred income tax in 2004 consists of:

Reversal of deferred tax asset on the retirement liability recognized under the previous GAAP	P639,744
Recognition of deferred tax asset on the reduction of retirement asset under PAS 19	(153,687)
	P486,057

Effect on the statements of cash flows for 2004
There are no material differences between the statements of cash flow prepared under PFRS and statements of cash flows presented under previous GAAP.

Changes in Accounting Policies
On January 1, 2005, the following new accounting standards became effective and were adopted by the Group:

- PAS 19, *Employee Benefits*, provides for the accounting for long-term and other employee benefits. The standard requires the use of the projected unit credit method in determining the retirement benefits of the employees and a change in the manner of computing benefits expense relating to past service cost and actuarial gains and losses. It requires the Group to determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

  Adoption of the standard resulted in the recognition of the Parent Company of a net transition asset amounting to P3.0 million and reversal of accrued retirement expense of P0.4 million as of January 1, 2004 and decrease in retirement expense of P3.3 million in 2004. Accordingly, retained earnings as of January 1, 2005 and 2004 increased by P5.2 million and P2.3 million, net of deferred tax asset of P1.6 million and P1.1 million, respectively, to reflect the net effect of the change.

- PAS 21, *The Effects of Changes in Foreign Exchange Rates*, prohibits the capitalization of foreign exchange losses. The standard also addresses the accounting for transactions in foreign currency and translating the financial statements of foreign operations that are included in those of the reporting enterprise by consolidation, proportionate consolidation and equity method. The adoption of this standard did not result in any material adjustment on the financial statements.

- PAS 32, *Financial Instruments: Disclosure and Presentation*, covers the disclosure and presentation of all financial instruments. The standard requires more comprehensive disclosures about the Group's financial instruments, whether recognized or unrecognized in the financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement*, establishes the accounting and reporting standards for the recognition and measurement of the Group's financial assets and financial liabilities. PAS 39 also covers the accounting for derivative instruments. The standard has expanded the definition of derivative instruments to include derivatives (derivative-like provisions) embedded in non-derivative contracts.

  The adoption of the provision of PAS 39 on the classification and related measurement of financial assets and financial liabilities of the Group and the use of effective interest rate method in measuring amortized cost for AFS investments reduced retained earnings as of January 1, 2005 by P0.5 million. Also, as of December 31, 2005, the Group and the Parent Company recognized net unrealized gain on short-term and long-term AFS investments amounting to P22.5 million and P22.3 million, respectively. In addition, as of December 31, 2005, the AFS investments of CTGF and CRAF were carried at their respective fair values with the corresponding unrealized loss of P0.3 million and unrealized gain of P0.1 million, respectively, recognized under Due to CTGF and CRAF (presented under liabilities section in the balance sheets).

In determining the allowance for impairment losses of a financial asset, PAS 39 requires, among others, the use of the discounted cash flow method. Prior to January 1, 2005, the adequacy of allowance for probable losses on accounts receivable and other risk assets was determined based on management criteria which include review of the age and status of receivables to identify accounts to be provided with allowance. The adoption of the provisions of PAS 39 on impairment of financial assets did not result any adjustment to the retained earnings as of January 1, 2005.

As allowed by the Philippine SEC, the cumulative effect of adopting PAS 32 and PAS 39, however, was charged against retained earnings as of January 1, 2005.

The following revised standards were also adopted by the Group effective January 1, 2005:

- PAS 10, *Events After the Balance Sheet Date*, provides a limited clarification on the accounting for dividends declared after the balance sheet date.

- PAS 16, *Property, Plant and Equipment*, provides additional guidance and clarification on the recognition and measurement of items of property, plant and equipment. It also provides that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

- PAS 17, *Leases*, provides a limited revision to clarify the classification of a lease of land and buildings and prohibits expensing of initial direct costs in the financial statements of lessors.

- PAS 24, *Related Party Disclosures*, provides additional guidance and clarity in the scope of the standard, the definitions and the disclosures for related parties. It also requires disclosure of the compensation of key management and personnel by benefit type.

- PAS 27, *Consolidated and Separate Financial Statements*, reduces alternatives in accounting for subsidiaries in consolidated financial statements and in accounting for investments in the separate financial statements of a parent, venturer or investor. Investments in subsidiaries are accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting is no longer allowed in the separate financial statements. It also requires strict compliance with the adoption of uniform accounting policies and requires the parent to make appropriate adjustments to the subsidiary's financial statements to conform them to the parent's accounting policies for reporting like transactions and other events in similar circumstances.

  The adoption of the provision of PAS 27 on the cost method in accounting for the Parent Company's investment in subsidiary increased both the carrying amounts of the investment and the retained earnings as of January 1, 2004 by P25.0 million, representing the accumulated losses of the subsidiary as of that date. Further, equity in net losses of a subsidiary amounting to P5.8 million in 2004 was reversed.

- PAS 33, *Earnings Per Share*, prescribes principles for the determination and presentation of earnings per share for entities with publicly traded shares, entities in the process of issuing ordinary shares to the public, and entities that calculate and disclose earnings per share. The standard also provides additional guidance in computing earnings per share including the effects of mandatorily convertible instruments and contingently issuable shares, among others.

- PAS 36, *Impairment of Assets*, requires the annual impairment test of intangible asset with an indefinite useful life or intangible asset not yet available for use and goodwill acquired in a business combination, whether or not there is an indication of impairment.

- PAS 38, *Intangible Assets*, requires the assessment of the useful life of intangible assets at the individual asset level as having either a finite or indefinite life. Where an intangible asset has a finite life, it has been amortized over its useful life. Amortization years and methods for intangible assets with finite useful lives are reviewed at the earlier of annually or where an indicator of impairment exists. Intangibles assessed as having indefinite useful lives are not amortized, as there is no foreseeable limit to the year over which the asset is expected to generate net cash inflows for the Group. However, intangibles with indefinite useful lives are reviewed annually to ensure the carrying value does not exceed the recoverable amount regardless of whether an indicator of impairment is present.

The effect of adopting the foregoing revised standards on the accompanying financial statements was not material, except for PAS 27, as discussed above. Also, in accordance with these standards, new disclosures were included in the financial statements, where applicable.

The Group did not early adopt the following Standards and amendments that have been approved but are not yet effective:

- *Amendments to PAS 19, Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures* - The revised disclosures from the amendments will be included in the Group's financial statements when the amendments are adopted in 2006.

- *PFRS 7, Financial Instruments - Disclosures* - The revised disclosures on financial instruments provided by this standard will be included in the Group's financial statements when the standard is adopted in 2007.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its wholly-owned subsidiary, SCCP, after eliminating significant intercompany balances and transactions (see Note 24).

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

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of changes in value.

Investment in Subsidiary

Investment in subsidiary in the parent company financial statements are carried at cost, less any impairment in value.

Investments and Other Financial Assets

All financial assets are initially recognized at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables, and AFS investments. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Regular way purchases and sales of financial assets are recognized on the trade date - the date on which the Group commits to purchase or sell the asset.

a) *Financial Assets at FVPL*

As of December 31, 2005 and 2004, the Group has no outstanding financial assets classified at FVPL.

b) *HTM Investments*

As of December 31, 2005, the Group has no outstanding HTM investments.

c) *Loans and Receivables*

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which the Group has no intention of trading. As of December 31, 2005 and 2004, the Group's loans and receivables include noninterest-bearing accounts receivable which are due within one year. Loans and receivables are carried at cost less allowance for impairment losses. Gains and losses are recognized in the statements of income when the loans and receivables are derecognized or impaired. As of December 31, 2005, this account classification also includes accrued interest receivable, deposit in bank and advances to brokers related to CRAF.

d) *AFS Investments*

AFS investments are financial assets that are designated as AFS or are not classified in any of the preceding categories. AFS investments include financial assets not quoted in an active market when purchased and held indefinitely, but which the Group anticipates to sell in response to liquidity requirements or in anticipation of changes in interest rates or other factors. Financial assets may be designated under this category provided such are not held for trading. AFS investments are carried at fair market value. The effective yield component of AFS debt securities are reported in the statements of income. The unrealized gain or loss arising from the fair valuation of AFS investments is excluded from reported income and reported as a separate component of stockholders' equity in the balance sheets until the investment is derecognized or until the investment is determined to be impaired at which time the net unrealized gain or loss previously reported in stockholders' equity is included in the statements of income.

AFS investments including investments in unquoted equity where the Group's ownership interest is less than 20% or where control is likely to be temporary are initially recognized at cost, being the fair value of the investment at the time of acquisition or purchase and including acquisition charges associated with the investment. Such investment is carried at cost less allowance for impairment due to the unpredictable nature of future cash flows and the lack of other suitable methods for arriving at a reliable fair value.

As of December 31, 2004, short-term and long-term investments representing investments in government securities where the Group has the positive intent and ability to hold to maturity were accounted for as investments in bonds and other debt instruments. These securities are carried at amortized cost on a straight-line basis less permanent impairment in value, if any; realized gains and losses are included in non-operating income in the statements of income. The cost of investments used for determining the gain or loss on sale of such investment is determined based on the specific identification method.

Investments of Clearing and Trade Guaranty Fund and Credit Ring Agreement Fund

CTGF and CRAF represent contributions of the Parent Company and the brokers as discussed in Notes 13 and 14, respectively, to the financial statements. The funds are held in trust by SCCP for the account of the brokers. The fund assets of CTGF and CRAF are shown as Investments of CTGF and CRAF with a contra account to Due to CTGF and CRAF in the balance sheets.

The assets of the funds are invested in government securities, which are held for the purpose of liquidity. As of December 31, 2005, investments in government securities are classified as AFS investments and are carried at fair market value (see discussions under AFS investments). The unrealized gain or loss arising from fair valuation of these investments is reported under Due to CTGF and CRAF. As of December 31, 2004, investments in government securities are recorded at amortized cost less permanent impairment in value, if any. Income and expenses related to the fund are credited to or charged against the fund balances. Realized gains and losses from the sale of investments are also credited to or charged against the fund balances. The cost of investments used for determining the gain or loss on sale of such investment is determined based on the specific identification method.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation 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	3
Building improvements	10
Computer hardware and peripherals	3 - 5
Office, furniture, fixtures and communication equipment	2 - 5
Transportation equipment	5
Utilities and others	2

The useful lives and the depreciation method are reviewed periodically to ensure that the period and the method 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 as expense when incurred; significant renewals and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, and any impairment in value, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

The carrying values of the property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in the statements of income.

Computer Software

Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year are recognized as intangible assets.

Research costs associated with accquiring the computer software programs are recognized as expense when incurred.

Expenditures which enhance or extend the performance of computer software programmes beyond their original specifications are recognized as capital improvements and added to the original cost of the software. Computer software costs recognized as assets are amortized using the straight-line method over their useful lives, but not exceeding a period of 7 years. Where an indication of impairment exists, the carrying amount of computer software is assessed and written down immediately to its recoverable amount.

Impairment of Assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial or non-financial asset may be impaired. If such evidence exists, impairment loss is recognized in the statements of income.

Impairment of financial assets

Impairment is determined as follows:

(a) For assets carried at amortized cost, impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate;

(b) For assets carried at fair value except FVPL, impairment is measured as the difference between the original cost and the fair value; and

(c) For assets carried at cost, impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The Group first assesses whether objective evidence of impairment exists individually. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment. The carrying amount of the asset is reduced through allowance for impairment losses account and the amount of the loss is recognized in the statements of income.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., asset type, collateral type, past due status based on accoun balances net flow rates and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

When a loan and receivable or an investment security other than an equity security is uncollectible, it is written off against the related allowance for impairment losses. Such loan and receivable or investment security is written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of provision for impairment losses presented in the statements of income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statements of income.

If an AFS investment is impaired, the difference between its amortized cost and its current fair value, less any impairment loss on that financial asset previously recognized is removed from stockholders' equity and recognized in the statements of income. Impairment losses on equity instruments are not reversed through the statements of income. If, in a subsequent period, the fair value of a debt investment classified as AFS investments increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statements of income.

Impairment of non-financial assets
An impairment loss is recognized by a charge against current operations for the excess of the carrying amount of an asset over its recoverable amount. An asset's recoverable amount is the higher of the asset's value in use or its net selling price. An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged against the revaluation increment of the said asset.

A previously recognized impairment loss is reversed by a credit 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 same asset) to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation) had no impairment loss been recognized for the asset in prior years.

Derecognition of Financial Instruments
Financial Asset
The derecognition of a financial asset takes place when the Group has either (a) transferred substantially all the risks and rewards of the ownership or (b) when it has neither transferred nor retained substantially all the risk and rewards but it no longer has control over the asset or a portion of the asset.

Financial Liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

Deferred Fees
Deferred fees represent listing and data feed fees which are billed and collected but not yet earned as of balance sheet dates. This account is reserved and recognized as listing income when services are rendered (see discussion on Revenue Recognition below).

Revenue Recognition
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. The following specific recognition criteria must also be met before revenue is recognized:

a. Membership fees and interest income are recognized on a time proportion basis;
b. Listing, processing, data feed and service fees are recognized when services are rendered;
c. Miscellaneous income is recognized on an accrual basis; and
d. Interest on AFS investments and interest-bearing placements is recognized based on accrual accounting using effective interest method.

Foreign Exchange Transactions

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

Income Taxes

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investment in subsidiary.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rate applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Retirement Expense

The Parent Company has a funded, noncontributory retirement plan, administered by trustees, covering their permanent employees. The Parent Company's retirement expense is actuarially determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The defined benefit liability is the aggregate of the present value of the benefits obligation and actuarial gains or losses not recognized reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

Unfunded past service costs, experience adjustments and actuarial gains or losses are amortized over the remaining working lives of employees. Retirement cost includes current service cost, amortization of past service costs, experience adjustments and actuarial gains and losses.

The defined benefit obligation is calculated annually by an independent actuary. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement liabilities. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses of the plan at the end of the previous reporting year exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. The excess actuarial gains and losses are recognized over the average remaining working life of employees participating in that plan in the statements of income.

Past service costs are recognized immediately in the statements of income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Earnings Per Share

Earnings per share is determined by dividing net income by the weighted average number of common shares issued and outstanding during the year after giving retroactive adjustment to any stock dividend or stock split made during the year.

Subsequent Events

Post-year-end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with Philippine GAAP requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Future events may occur which can cause the estimates used in arriving at the estimates to change. The effects of any changes in estimates will be recognized in the financial statements as they become reasonably determinable.

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

a) *Impairment losses of accounts receivable*

The Group reviews its receivable portfolio to assess impairment annually. In determining whether an impairment loss should be recorded in the statements of income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Also, collective impairment loss, if any, is recognized on receivables which are grouped based on type of receivables, past due status and historical payment experience. As of December 31, 2005 and 2004, allowance for impairment losses on accounts receivable amounted to P13.7 million (see Note 8).

(b) *Impairment of AFS equity investments*

The Group determines that AFS equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. As of December 31, 2005 and 2004, allowance for impairment losses on AFS equity investments (included under Long-term AFS Investments and Other Assets, respectively) amounted to P6.4 million and P2.7 million, respectively.

(c) *Recognition of deferred income taxes*

The Group has been in a tax loss position over the past several years. However, in 2005, the Parent Company reflected a taxable position which resulted in using previous years' NOLCO. Based on this experience, the Group believes that it is not highly probable that certain temporary differences will be realized in the future. Accordingly, as of December 31, 2005 and 2004, deferred tax assets arising mainly from NOLCO and MCIT amounting to P25.7 million and P24.6 million, respectively, have not been recognized. As discussed in Note 21 and the accounting policy on income taxes as of December 31, 2005, deferred tax assets of the Group and the Parent Company amounting to P18.2 million and P11.4 million, respectively, is recognized. As of December 31, 2004, the Group and Parent Company has recognized deferred tax assets amounting to P13.9 million.

(d) *Present value of retirement obligation*

The present value of the obligation depends on certain factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for retirement include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the carrying amount of retirement obligations.

The expected rate of return on assets of 10% was on average historical premium of the fund assets. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of balance sheet dates. As of December 31, 2005 and 2004, the present value of the retirement obligation of the Parent Company amounted to P11.6 million and P14.0 million, respectively.

(e) *Impairment of intangible assets*

Intangible assets are reviewed and tested whenever there is indication of impairment and at least at each balance sheet date. As of December 31, 2005 and 2004, no impairment loss has been recognized.

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash and cash equivalents, short-term and long-term available-for-sale investments, accounts and other receivables and accounts payable and other liabilities. It is the Group's policy not to engage in the trading of financial instruments.

The main risks arising from the Group's financial instruments are market risk, interest rate risk, liquidity risk, foreign currency risk and credit risk.

a) Market Risk
The Group's market risk (the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument) originates from its holdings of debt securities and equities.The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, equity prices and other market changes.

The Treasurer is responsible for the identification of investments that provide a relatively stable rate of return and submit these identified investments to the President or the BOD for approval. In addition, the Treasurer monitors the investment portfolio performance and management's performance associated with the investment portfolio.

b) Interest rate risk
The Group follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. There are no floating rate financial assets and financial liabilities (see Notes 7 and 10). Term deposits with banks are for fixed rates for the period of the deposit.

c) Liquidity risk
The investment mix as to maturity and yield are determined based on budgeted fund requirement and cash position.

d) Foreign currency risk
The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Group is engaged.

The table summarizes the Group's exposure to foreign currency exchange risk as of December 31, 2005 and 2004. Included in the table are the Group's assets and liabilities at carrying amounts (in US Dollar).

	2005	2004
Assets		
Cash and cash equivalents	150,295	154,708
Long-term AFS investments	2,109,250	1,867,996
Accounts and other receivables	266,828	193,592
Other assets	–	63,673
Total assets	2,526,373	2,279,969
Liabilities		
Deferred fees	65,857	–
Net Exposure	2,460,516	2,279.969

e) Credit risk
Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. The Group's credit exposure arises mainly from clearing related services for securities transactions and from brokers' membership fees and listing maintenance fees of companies listed in the Exchange. The Group manages its credit risks on clearing related services for securities transactions through the CTGF and CRAF as discussed in Notes 13 and 14, respectively. In addition, the Parent Company has policies in place where brokers and listed companies with unpaid membership fees and maintenance fees are not to continue their trading transactions in the Exchange.

Also, the Group manages credit risk by placing funds in government bonds and securities duly registered with the Registry of Scriptless Securities under the name of PSE. For US dollar-denominated placements the Exchange maintained a third party custodian bank.

5. Fair Value Measurement

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are:

Investments in government securities - Fair values are generally based upon quoted market prices.

Investment in unquoted equity - Carried at cost less allowance for impairment losses due to unpredictable nature of future cash flows and the lack of other suitable methods of arriving at a reliable fair value.

The carrying values of the Group's financial assets and financial liabilities represent their respective fair values as of balance sheet dates except for short-term and long-term investments as of December 31, 2004, which are carried at cost as discussed in Note 2. Their respective fair values as of such date are disclosed in Notes 7 and 10, respectively.

6. Cash and Cash Equivalents

This account consists of:

	Group		Parent Company	
	2005	2004	2005	2004
Cash on hand and in banks	P51,553,956	P40,201,404	P39,013,018	P30,792,020
Cash equivalents	46,796,520	15,800,968	46,796,520	10,781,852
	P98,350,476	P56,002372	P85,809,538	P41,573,872

7. Short-term AFS Investments

This account consists of fixed rate treasury notes and bills with maturity of more than three months but less than one year and earned annual interest rates ranging from 9.00% to 15.00% in 2005. As of December 31, 2004, such investments amounting to P411.2 million are classified as Short-Term Investments in the balance sheets and earned annual interest rates ranging from 8.23% to 13.88% in 2004.

As of December 31, 2005, unrealized gain on short-term AFS investments of the Group and Parent Company amounted to P1.3 million and P1.1 million, respectively.

As of December 31, 2004, the market value of short-term investments amounted to 408.37 million.

8. Accounts Receivable

This account consists of receivable from:

	Group		Parent Company	
	2005	2004	2005	2004
Listed companies	P5,163,685	P3,788,024	P5,163,685	P3,788,024
Brokers	18,078,001	12,833,966	13,991,786	10,424,727
Data vendors	10,007,061	6,104,646	10,007,061	6,104,646
Others	5,842,336	2,812,814	6,477,985	5,402,314
	39,091,083	25,539,450	35,640,517	25,719,711
Less allowance for impairment losses	13,716,843	13,729,374	13,716,843	13,729,374
	P25,374,240	P11,810,076	P21,923,674	P11,990,337

On September 25, 2002, the Parent Company's BOD approved the loan assistance program to brokers, subject to the availability of funds, via a term loan of P0.5 million per member for a period of six months at a rate equivalent to 182-day treasury bills prevailing at the time the loan was granted. Each loan is secured by a pledge of 10,000 shares of stock of the Parent Company owned by the broker-borrower. As of December 31, 2005, all of the loans granted to brokers have been collected. As of December 31, 2004, the balance of the loan amounted to P0.5 million.

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 brokers of the Parent Company arising out of or in connection with the present or future brokers' contracts. Based on the latest transaction in 2005, the transacted price of a trading right amounted to P3.5 million.

9. Other Current Assets

This account consists of:

	Group		Parent Company	
	2005	2004	2005	2004
Prepaid expenses	2,073,571	P668,228	P2,042,409	P656,941
Accrued interest receivable	22,249,679	21,572,030	22,049,679	21,276,269
Others	4,316,269	826,663	3,766,687	826,663
	P28,639,519	P23,066,921	P28,058,775	P22,759,873

10. Long-term AFS Investments

This account includes peso-denominated treasury bonds, retail treasury bonds and fixed rate treasury notes amounting to P553.5 million and P435.0 million as of December 31, 2005 and 2004, respectively, and US dollar-denominated bonds amounting to US$2.1 million and US$2.0 million with Philippine peso equivalent of 112.0 million and 112.7 million as of December 31, 2005 and 2004, respectively.

As of December 31, 2005, net unrealized gain on long-term AFS investments of the Group and Parent Company amounted to P21.2 million.

Peso-denominated investments earned annual interest rates ranging from 9.00% to 12.37% in 2005 and 9.13% to 13.00% in 2004 while US dollar-denominated investments earned annual interest rates ranging from 8.00% to 9.88% in 2005 and 2004.

Balances as of December 31, 2004 are presented under Long-term Investments. As of December 31, 2004, the market value of the long-term investments amounted to P516.4 million.

As of December 31, 2005, AFS investment includes investment in unlisted shares of stocks as follows:

PDS Holdings	P67,050,657
The Manila Southwoods Golf Club (Note 15)	3,078,000
	70,128,657
Less allowance for impairment losses	6,404,090
	P63,724,567

On April 1, 2004, the Parent Company and PDS Holdings signed a deed of exchange of the shares of Philippine Depository and Trust Corporation (PDTC) owned by the Parent Company for 611,439 shares of PDS Holdings, representing 12.23% holdings, effective upon the compliance of regulatory requirements. No gain or loss was recognized on such exchange of shares.

As of December 31, 2005, the Parent Company recognized impairment loss on its investment in PDS Holdings amounting to P3.6 million based on the unaudited financial statements of the investee Company as of the same date.

As of December 31, 2004, investments in PDS Holdings and The Manila Southwoods Golf Club are classified under Equity Investments - at cost (see Note 12) and Other Assets, respectively.

11. Property and Equipment

The composition of and movements in property and equipment for the year ended December 31, 2005 are as follow:

	Group								
	Buildings	Trading System Equipment	Building Improvements	Computer Hardware and Peripherals	Office Furniture, Fixtures and Communication Equipment	Transportation Equipment	Utilities and Others	Donated Shares in a Condominium Corporation	Total
Cost									
January 1, 2005	P224,895,034	P168,185,764	P120,027,967	P98,927,673	P53,427,145	P7,961,870	P1,568,326	P155,690,154	P830,683,933
Additions	–	535,012	34,918	3,794,016	689,968	2,091,760	95,636	–	7,241,310
Disposal/ Retirement	–	–	–	(499,668)	–	(893,000)	–	–	(1,392,668)
December 31, 2005	224,895,034	168,720,776	120,062,885	102,222,021	54,117,113	9,160,630	1,663,962	155,690,154	836,532,575
Accumulated Depreciation									
January 1, 2005	90,006,848	159,416,161	115,557,173	85,037,965	49,984,017	4,024,845	1,175,727	–	505,202,736
Depreciation	8,995,801	2,249,771	771,336	7,911,323	1,188,512	1,304,932	69,904	–	22,491,579
Disposal/ Retirement	–	–	–	(499,657)	–	(893,000)	–	–	(1,392,657)
December 31, 2005	99,002,649	161,665,932	116,328,509	92,449,631	51,172,529	4,436,777	1,245,631	–	526,301,658
Net Book Value as of December 31, 2005	125,892,385	7,054,844	3,734,376	9,772,390	2,944,584	4,723,853	418,331	155,690,154	310,230,917
Net Book Value as of December 31, 2004	P134,888,186	P8,769,603	P4,470,794	P13,889,708	P3,443,128	P3,937,025	P392,599	P155,690,154	P325,481,197

	Parent Company								
	Buildings	Trading System Equipment	Building Improvements	Computer Hardware and Peripherals	Office Furniture, Fixtures and Communication Equipment	Transportation Equipment	Utilities and Others	Donated Shares in a Condominium Corporation	Total
Cost									
January 1, 2005	P224,895,034	P168,185,764	P116,400,445	P89,184,784	P52,708,543	P7,026,870	P1,568,328	P155,690,154	P815,659,922
Additions	–	535,012	–	2,895,589	689,968	1,409,942	95,636	–	5,626,147
Disposal/ Retirement	–	–	–	–	–	(893,000)	–	–	(893,000)
December 31, 2005	224,895,034	168,720,776	116,400,445	92,080,373	53,398,511	7,543,812	1,663,964	155,690,154	820,393,069
Accumulated Depreciation									
January 1, 2005	90,006,848	159,416,161	111,929,664	77,237,373	49,265,434	3,089,846	1,175,729	–	492,121,055
Depreciation	8,995,801	2,249,771	762,606	7,131,195	1,188,512	1,248,114	69,904	–	21,645,903
Disposal/ Retirement	–	–	–	–	–	(893,000)	–	–	(893,000)
December 31, 2005	99,002,649	161,665,932	112,692,270	84,368,568	50,453,946	3,444,960	1,245,633	–	512,873,958
Net Book Value as of December 31, 2005	125,892,385	7,054,844	3,708,175	7,711,805	2,944,565	4,098,852	418,331	155,690,154	307,519,111
Net Book Value as of December 31, 2004	P134,888,186	P8,769,603	P4,470,781	P11,947,411	P3,443,109	P3,937,024	P392,599	P155,690,154	P323,538,867

Buildings represent properties donated by Philippine Realty and Holdings Corporation (PRHC) and Ayala Land, Inc. (ALI) and a condominium unit at the Philippine Stock Exchange (PSE) Centre in Pasig City purchased at P5.2 million.

On September 29, 1993, PRHC donated 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 formally turned over to the Parent Company on December 31, 1994 at a value of P139.5 million (see Note 17).

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 P80.0 million (P30.0 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 PSE Plaza in Ayala Avenue, Makati City and its appurtenant parking slots, and P155.7 million worth of condominium shares (see Note 17).

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 slots. In addition, the Parent Company shall use the units for a period of at least 10 years beginning from the date the Parent Company occupied 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 Parent Company's share in the parcel of land where the condominium is located and the common areas of the condominium is classified under donated shares in a condominium corporation. As of December 31, 2005, the condominium certificates of title in the donated condominium units have been issued to the Parent Company.

Trading system equipment represents software and hardware costs. Software costs can no longer be separately classified. Since the net book value of software costs is not significant as of balance sheet dates, the management believes that it is not cost effective to separate the software costs from the trading system.

12. Equity Investments

This account consists of investments in:

	Group		Parent Company	
	2005	2004	2005	2004 (As restated - Note 2)
SCCP				
(100% owned)	P–	P–	P69,545,393	P69,545,393
PDS Holdings				
(12.23% owned)				
(Note 10)	–	67,050,657	–	67,050,657
	P–	67,050,657	P69,545,393	P136,596,050

In 2004, the Parent Company purchased the shares owned by the other stockholders of SCCP for P0.045 million. The purchase made SCCP a wholly owned subsidiary of the Parent Company. In addition, the Parent Company invested P44.0 million in SCCP for the purchase of a clearing and settlement system in 2004.

As of December 31, 2004, investment in SCCP is presented as Investment in Subsidiary in the balance sheets.

13. Investment of Clearing and Trade Guaranty Fund

This account consists of:

	2005	2004
Principal contributions from:		
Brokers		
Balance at beginning of year	P96,811,167	P94,341,661
Contributions during the year	27,572,806	2,469,506
Balance at end of year	124,383,973	96,811,167
Parent Company	80,000,000	80,000,000
	204,383,973	176,811,167
Accumulated interest income:		
Balance at beginning of year	83,944,970	65,988,352
Interest income, net of management fee of P308,598 in 2005 and P230,546 in 2004	22,110,199	17,956,618
Balance at end of year	106,055,169	83,944,970
Unrealized loss on AFS investments	(349,305)	-
	P310,089,837	P260,756,137

The Clearing and Trade Guaranty Fund (CTGF) is a credit management tool designed to protect the market against settlement risks of clearing brokers. Each broker-member's contribution is equivalent to 1/1,000 of 1% of his total turnover value.

In order for SCCP to effectively implement its Fails Management and Buy-in/Sell-out functions, the CTGF must be adequate to cover any unsettled trades of any broker on any settlement day. On December 7, 1999, the SEC directed the Parent Company to allocate a portion of its income from operations as a trade guarantee expense to hasten the build up of the CTGF. Since the Parent Company had been incurring losses from operations since 2001, no contribution has been made to CTGF from 2001 to 2004. In 2005, the Parent Company's income from operations amounted to P28.7 million. However, no contribution nor allocation has been made. The Parent Company will seek clarification with the SEC on such directive in the light of the demutualization of the Parent Company in 2001.

As of December 31, 2005 and 2004, the assets of the CTGF (included under Investments of Clearing and Trade Guaranty Fund account in the consolidated balance sheets) consist of:

	2005	2004
Cash in bank	P153,133	P–
Investments in government securities, at market	305,636,257	–
Investments in government securities - at amortized cost	–	254,767,083
Accounts receivable	207,708	233,872
Accrued interest receivable	4,092,739	5,755,182
	P310,089,837	P260,756,137

As of December 31, 2004, the market value of investments in government securities amounted to P259.4 million.

The CTGF is invested as follows:

a. Securities issued or guaranteed by the Republic of the Philippines; and

b. 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 return 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 brokers.

On June 19, 2003, the BOD of SCCP approved the assessment of a management fee at 0.1% of the CTGF fund level as of the close of the year for the management and administration of CTGF.

14. Investment of Credit Ring Agreement Fund

On January 29, 2001, the SEC approved SCCP's request that all clearing brokers whose net negative exposure amounting to P1.0 million or below shall 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 Credit Ring Agreement (CRA) participating clearing brokers or by the Parent Company on behalf of its members who are also the CRA participating clearing brokers, shall set aside the amount of P10.0 million for the sole purpose of covering the aggregate net negative exposures of all clearing brokers participating in the CRA whose computed individual exposure amounts to P1.0 million and below;

b. A CRA, to be participated in and signed by all participating clearing brokers, shall be organized. A CRA is a scheme wherein the participating brokers agree to pay up, pro rata, the deficit between the total net negative exposures of failing brokers and the amount of P10.0 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 brokers, P10.0 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. The interest income from said money market placements is recognized as income of the Parent Company.

As of December 31, 2005 and 2004, 134 and 129 active brokers, respectively, signed the CRA.

As of December 31, 2005 and 2004, the funds of CRA are invested mainly in government securities. As discussed in Note 2, as of December 31, 2005, these are classified as AFS investments with unrealized gain on P0.1 million. As of December 31, 2004, these are classified as held-to-maturity and carried at cost. The market value of investments in government securities as of December 31, 2004 amounted to P10.3 million.

15. Other Assets

This account consists of:

	Group		Parent Company	
	2005	2004 (As restated - Note 2)	2005	2004 (As restated - Note 2)
Computer software - net	P30,838,581	P36,214,397	P–	P–
Deposit in bank	18,676,643	26,645,611	18,676,643	26,645,611
Deferred tax assets-net (Note 21)	18,218,682	13,947,349	11,399,447	13,947,349
Advances to brokers related to CRAF (Notes 14 and 24)	10,000,000	10,000,000	10,000,000	10,000,000
Other investment	5,247,419	–	5,247,419	–
Retirement asset (Note 22)	2,411,456	2,527,586	2,411,456	2,527,586
Club membership - net of allowance for decline in value of P2,728,000 (Note 10)	–	300,000	–	300,000
Others	142,800	–	142,800	–
	P85,535,581	P89,634,943	P47,877,765	P53,420,546

Deposit in bank represents matured investments with a local bank, which declared a bank holiday and was subsequently placed under receivership.The Parent Company shall be repaid based on a repayment plan approved by the Parent Company's BOD on August 8, 2001. The payments received by the Parent Company were in accordance with the foregoing plan.

On January 7, 2005, Fort Bonifacio Development Corporation (FBDC) executed a Deed of Conditional Donation in favor of the Parent Company, which covers the transfer of 5,247,419 shares of stocks of Crescent West Development Corporation (CWDC) amounting to P5.2 million (under Other Investment) to the Parent Company subject to the mandatory relocation of the Parent Company to the Bonifacio Global City. CWDC holds the title of the parcel of land and proposed improvements in Bonifacio Global City. As of December 31, 2005, construction of Office premises is yet to be completed. As such, the Parent Company has yet to comply with the mandatory provision prior to final transfer of ownership to the Parent Company.

The movements in the computer software follow:

	2005	2004
Cost		
At January 1	P36,214,397	P–
Additions	–	36,214,397
Adjustment	(158,588)	–
At December 31	36,055,809	36,214,397
Amortization during the year	5,217,228	–
Net Book Value as of December 31	P30,838,581	P36,214,397

16. Accounts Payable, Accrued Expenses and Other Current Liabilities

This account consists of:

	Group		Parent Company	
	2005	2004	2005	2004
Accrued expenses	P35,804,035	P16,567,886	P29,796,737	P15,435,914
Due to SEC	13,991,867	11,796,047	13,991,867	11,796,047
Accounts payable (Note 24)	2,789,804	3,545,103	4,028,893	3,545,103
Others	P28,801,000	P25,561,903	P20,236,918	P12,723,891
	P81,386,706	P57,470,939	P68,054,415	P43,500,955

The amount due to SEC represents license fees to operate an exchange imposed under Section 35 of the SRC entitled "Additional Fees of Exchanges."

17. Donated Capital

This account consists of donations from:

	2005	2004
ALI (Note 11)	P235,690,154	P235,690,154
PRHC (Note 11)	139,542,000	139,542,000
FBDC (Note 15)	5,247,419	-
USAID	1,925,250	1,925,250
	P382,404,823	P377,157,404

18. Compensation and Other Related Staff Costs

This account consists of:

	Group		Parent Company	
	2005	2004 (As restated - Note 2)	2005	2004 (As restated - Note 2)
Salaries and wages	P59,709,918	P57,124,155	P56,306,890	P55,055,304
Retirement and separation expenses (Note 22)	30,916,130	480,271	30,916,130	480,271
Other employee benefits	21,809,639	17,338,360	20,544,911	16,588,720
	P112,435,687	P74,942,786	P107,767,931	P72,724,295

19. Occupancy Costs

This account consists of:

	Group		Parent Company	
	2005	2004	2005	2004
Utilities	P16,263,404	P15,263,054	P15,903,404	P14,951,054
Condominium dues	9,358,096	9,386,983	9,358,096	9,386,983
Security and janitorial services	6,767,637	6,289,582	6,767,637	6,289,582
Repairs and maintenance	3,603,785	3,511,637	3,603,785	3,511,637
	P35,992,922	P34,451,256	P35,632,922	P34,139,256

20. Other Income

The components of other income are summarized below:

	Group		Parent Company	
	2005	2004	2005	2004
Interest income (Note 21)	P109,103,011	P95,584,829	P108,434,181	P95,189,912
Foreign exchange gain (loss) - net	(7,208,976)	1,561,003	(7,208,976)	1,561,003
Reversal of (provision for) impairment losses	(3,613,560)	13,389	(3,613,560)	13,389
Gain on disposal of investments	–	3,611,079	–	3,611,079
Gain on disposal of property and equipment (Note 9)	–	235,000	–	235,000
Others	723,725	1,079,921	441,913	894,350
	P99,004,200	P102,085,221	P98,053,558	P101,504,733

21. Income Taxes

The regular corporate income tax rate was 32%. Interest allowed as a deductible expense is reduced by an amount equivalent to 38% of interest income subjected to final tax. Republic Act No. 9337, An Act Amending National Internal Revenue Code, provides that effective July 1, 2005, the regular corporate income tax rate shall be 35% until December 31, 2008. Starting January 1, 2009, the regular corporate income tax rate shall be 30%. However, such amendment was subject to restraining order which was subsequently lifted on October 28, 2005 and was in effect starting November 1, 2005.

The provision for income tax consists of:

	Group		Parent Company	
	2005	2004 (As restated - Note 2)	2005	2004 (As restated - Note 2)
Final	P21,078,427	P18,286,051	P20,944,661	P18,207,068
Deferred	(4,271,333)	(2,930,102)	2,547,902	(2,930,102)
MCIT	4,014,725	1,735,147	3,521,981	1,715,104
	P20,821,819	P17,091,096	P27,014,544	P16,992,070

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

	Group		Parent Company	
	2005	2004 (As restated - Note 2)	2005	2004 (As restated - Note 2)
Deferred tax asset on:				
NOLCO	P11,655,403	P11,565,454	P5,348,955	P11,565,454
Allowance for impairment losses	4,800,895	4,393,400	4,800,895	4,393,400
Unrealized foreign exchange loss	1,672,861	–	1,672,861	–
Unamortized past service costs	420,746	384,682	420,746	384,682
MCIT	512,787	–	–	–
	P19,062,692	P16,343,536	P12,243,457	P16,343,536
Deferred tax liability on:				
Retirement asset	(844,010)	(808,827)	(844,010)	(808,827)
Unrealized foreign exchange gain - net	–	(1,587,360)	–	(1,587,360)
	(844,010)	(2,396,187)	(844,010)	(2,396,187)
	P18,218,682	P13,947,349	P11,399,447	P13,947,349

Details of NOLCO of the Parent Company and SCCP follow:

Inception Year	Amount	Used/ Expired	Balance	Expiry Date
Parent Company				
2003	P47,461,790	P24,731,622	P22,730,168	2006
2004	50,252,824	–	50,252,824	2007
	97,714,614	24,731,622	72,982,992	
SCCP				
2002	9,276,606	9,276,606	–	2005
2003	8,845,129	3,933,135	4,911,994	2006
2004	13,106,431	–	13,106,431	2007
	31,228,166	13,209,741	18,018,425	
	P128,942,780	P37,941,363	P91,001,417	

Details of MCIT of the Parent Company and SCCP follow:

Inception Year	Amount	Used/ Expired	Balance	Expiry Date
Parent Company				
2002	P1,681,026	P1,681,026	P–	2005
2003	1,397,943	–	1,397,943	2006
2004	1,715,104	–	1,715,104	2007
2005	3,521,981	–	3,521,981	2008
	P8,316,054	P1,681,026	P6,635,028	
SCCP				
2004	20,043	–	20,043	2007
2005	492,744	–	492,744	2008
	512,787	–	512,787	–
	P8,828,841	P1,681,026	P7,147,815	

The Parent Company did not recognize deferred tax assets on the following:

	2005	2004
NOLCO	P19,145,994	P19,703,221
MCIT	6,635,028	4,794,073
Unamortized past service cost	–	137,272
	P25,781,022	P24,634,566

Revenue Regulations No. 10-2002 defines expenses to be classified as entertainment, amusement and recreation (EAR) expenses and sets a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 1% of net revenue for sellers of services. EAR expenses incurred by the Parent Company amounted to P0.5 million and P0.6 million in 2005 and 2004, respectively.

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

	Group		Parent Company	
	2005	2004	2005	2004
Statutory income tax rate	32.50%	32.00%	32.5%	32.00%
Tax effects of:				
Interest income subjected to final tax	(12.00)	(33.79)	(12.07)	(33.34)
Write-down of deferred tax assets	–	50.89	–	44.65
Others	(5.69)	(5.55)	0.88	(5.85)
Effective income tax rate	14.81%	43.55%	21.31%	37.46%

22. 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.

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

The principal actuarial assumptions used in determining retirement liability as of January 1, 2005 and 2004 are shown below:

	2005	2004
Discount rate	14%	12%
Expected rate of return on assets	12%	10%
Future salary increases	6%	4%

Actuarial valuation of the Parent Company is generally made every two years.

As of January 1, 2004, the Parent Company recognized a transitional retirement asset amounting to P3.0 million, net of P1.3 million which represents the excess of the transitional retirement asset over the asset ceiling.

The amounts recognized in the balance sheets as of December 31, 2005 and 2004 are as follows:

	2005	2004
Present value of the obligation	P11,559,765	P13,947,220
Fair value of plan assets	(13,435,952)	(17,073,569)
Prepaid retirement assets	1,876,187)	(3,126,349)
Unrecognized actuarial gains (losses)	(535,269)	(598,763)
Net retirement asset	(P2,411,456)	(P2,527,586)

The retirement expense included in Compensation and Other Staff Related Costs in the statements of income in 2005 and 2004 are as follows:

	2005	2004
Current service cost	P2,012,347	P1,914,474
Interest cost	1,952,611	1,463,436
Expected return on plan assets	(2,048,828)	(1,645,527)
Net actuarial gains recognized	–	(1,252,112)
	P1,916,130	P480,271

The actual return on the plan assets amounted to P1,580,679 and P1,974,039 in 2005 and 2004, respectively.

The movements in the retirement asset as of December 31, 2005 and 2004 recognized in the balance sheets are as follows:

	2005	2004
Balance at beginning of year	2,527,586	3,007,857
Retirement expense	(1,916,130)	(480,271)
Contributions paid	1,800,000	–
Balance at end of year	2,411,456	2,527,586

On September 12, 2005, the Parent Company's BOD approved a special separation package to regular employees as of that date subject to final approval of the Parent Company's president. Accordingly, in 2005, the Parent Company recognized retirement and additional separation expense (included) in Compensation and Other Related Staff Costs in the statements of income) amounting to P29.0 million.

23. Earnings Per Share

Basic earnings per share were computed as follows:

	Group		Parent Company	
	2005	2004 (As restated - Note 2)	2005	2004 (As restated - Note 2)
a. Net income	P119,805,255	P22,596,301	P99,733,959	P28,362,656
b. Weighted average number of outstanding common shares	15,277,513	14,771,054	15,277,513	14,771,054
c. Earnings per share (a/b)	P7.84	P1.53	P6.53	P1.92

24. Related Party Transactions

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 subjected to common control or common significant influence. Related parties may be individuals or corporate entities. Related parties include brokers that are stockholders of the Parent Company. The Parent Company, in its normal course of business, has transactions with related parties. Transactions between related parties are based on terms similar to those offered to non-related parties.

The year-end balances in respect of related parties included in the balance sheets are as follows:

	2005	2004
Accounts and other receivables:		
Brokers - net of allowance for impairment losses of P4,351,970 in 2005 and 4,440,130 in 2004 (Note 8)	P3,529,882	P2,045,559
Advances to brokers related to CRAF (Notes 14 and 15)	10,00,000	10,000,000
Accounts payable to brokers	–	9,000,000

Other related party transactions include advance payments made by the Parent Company on certain administrative expenses of SCCP such as utilities, supplies, hardware and software maintenance, and other employee benefits, which are subsequently billed to and collected from SCCP. As of December 31, 2005 and 2004, accounts and other receivables of the Parent Company from SCCP are eliminated.

The income in respect of the brokers included in the statements of income follows:

	2005	2004
Membership fees	P53,457,153	P34,285,292
Interest income	467,156	504,771
Miscellaneous income	–	16,000

Compensation of key management personnel (covering officer positions starting from Assistant Vice President and up) included under Compensation and Other Related Staff Costs in the statements of income of the Parent Company follows:

	2005	2004
Short-term employee benefits	P20,542,308	P18,694,058
Separation benefits	4,877,700	–
Post-employment pension and medical benefit	2,281,485	–
	P27,701,493	P18,694,058

Short-term employee benefits include salaries, paid annual leave and paid sick leave, profit sharing and bonuses, and non-monetary benefits.

25. Segment Reporting

PAS 14, *Segment Reporting*, requires that a public business enterprise report financial and descriptive information about its reportable segments. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. The Group has one reportable business segment which is the equity securities market. The equity securities market provides trading, clearing, depository and information services for the equity market. The Group also has one geographical segment and derives all its revenues from domestic operations. The financial information about the sole business segment is presented in the financial statements.

26. 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 outcome of which are not presently determinable. Significant lawsuits or claims filed against the Group include labor cases and tax assessments on income and local taxes. 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 Group's financial statements. Accordingly, no provision has been recognized as of December 31, 2005 and 2004.

27. Other Matters

- On May 31, 2004, due to the confusion as to the opening price of shares of stock of Music Semiconductors Corporation (MUSX) as a result of the quasi-reorganization undertaken by the said company, the Parent Company was constrained to cancel the transactions of MUSX shares that were matched as of the time the Parent Company declared a trading halt. The Parent Company's BOD subsequently constituted an Ad Hoc Committee to investigate the matter and to recommend a proper course of action. After exhaustive proceedings, the Committee concluded that in order to maintain an orderly market, the Parent Company should negotiate a settlement agreement with the affected buyers without admission of liability on the part of the Parent Company. The BOD adopted this recommendation, and the Parent Company's management implemented the resulting BOD resolution. The amount paid to affected buyers as a result of the foregoing amounted to P3.7 million.

- Operating income - Miscellaneous

  This account mainly consists of trading and listing related fines and penalties such as late payment, late submission of requirements, non-compliance and non-disclosure of listed companies.

- Details of the Parent Company's dividend distribution follow:

	Dividend			
Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
February 18, 2004	P16.00	P244,440,064	March 4, 2004	March 9, 2004
February 9, 2005	5.00	76,387,525	February 28, 2005	March 15, 2005
February 22, 2006	5.76	87,998,463	March 9, 2006	March 24, 2006

Market Integrity Board,
Committees and Functions

	KEY FUNCTIONS
MARKET INTEGRITY BOARD	• Review, affirm, reverse or modify decisions or actions of the Market Regulatory Office (MRO); • Exercise oversight authority over the regulatory activities of the MRO; • Initiate studies to enhance rules relating to audit, compliance and surveillance, adaptation for local conditions of best practices on governance among trading participants, and other measures necessary to strengthen the SRO functions of the Exchange; • Issue its internal rules of procedures.
AUDIT COMMITTEE	• Supervise internal audit of all Exchange transactions by examining its books, papers and records; • Review the processes on financial reporting, audit, monitoring of compliance with laws and regulations and the system of internal control and management of risks; • Render appropriate reports to the Board as required; • Provide oversight function to the internal and external auditors; pass for review and comment all reports from internal and external auditors for the Exchange as well as those from regulatory bodies (e.g. SEC). Based on the review, a summary report of the Committee is submitted to the Board.

BUSINESS DEVELOPMENT COMMITTEE	• Undertake the study of new products and capital market instruments that can be listed in the Exchange, and if found viable, advise and oversee their implementation covering:
	  • Preparation of the Primer, Rules and Procedures, Operations Manual;
	  • Education and training of personnel;
	  • Marketing of these new products to issuers, brokers and investors;
	  • Monitor current business development trends in other major regional and global stock exchanges and identify new business opportunities;
	  • Generally, advise the President of the Exchange on business development issues.

FLOOR TRADING & ARBITRATION COMMITTEE	• Recommend appropriate new rules or changes in the rules on trading for the approval of the Board;
	• Enforce and administer, through management of the Exchange, the dissemination and strict implementation of the approved trading rules and regulations of the Exchange;
	• Order an investigation into the affairs of any trading participant and any of its traders who are suspected of having violated any of the provisions of the trading rules and regulations;
	• Recommend to the Board the imposition of sanctions such as, but not limited to, reprimand, fine, suspension or expulsion of any trading participant or his authorized trader or clerk as a result of a violation or action not specifically sanctioned by an approved rule;
	• Recommend suspension of trading activities on the Exchange to the Chairman and/or the President in the event of any emergency identified to be detrimental to the whole operation and/or recommend remedial actions as the Committee shall consider fit or necessary under the circumstances;
	• Ensure good order and behavior of the people on the trading floor of the Exchange and for its purpose refuse entry, or remove any person in the trading floor found to have violated the following:
	  - proper trading attire and decorum,
	  - personnel conduct on the trading floor
	• Settle any dispute and trading discrepancies arising from, and in connection with, the transactions on the floor.

	KEY FUNCTIONS
INVESTOR EDUCATION COMMITTEE	• Conduct educational campaign to increase public awareness of the benefits of investing in the stock market; • Provide the needs and upgrade the level of competence of market participants through seminars, training and other activities; • Support the proactive marketing and information campaign to expend the listing of companies on the Exchange; • Assist the Exchange in promoting and advancing the critical role of the Exchange as an essential business institution of the Philippine capital market; • Ensure the efficient handling of the administrative and developmental activities of the Market Education Department.
LEGISLATIVE COMMITTEE	• Review Congress bills that affect the Exchange and the capital market, and recommend specific courses of action; and • Initiate studies in specific areas to improve the capital market and recommend the passage of bills to address them.
LISTING COMMITTEE	• Recommend for approval of the Board listing applications which were approved at the Listing Committee level; • Recommend for approval of the Board rules (fees, fines/penalties/sanctions) and policies concerning the listing of securities and disclosure of information which were approved at the Listing Committee level; • Submit for notation by the Board approved stock dividend applications; and to submit for notation by the Board approved fines/penalties/sanctions imposed on non-complying listed companies.

REMUNERATION COMMITTEE	• Review, study and recommend the following:
	  - The compensation arrangements for the Chief Executive Officer and other senior executives (including incentive plans, share options and other benefits)
	  - Service contracts
	  - The remuneration policies and practices for the Exchange in general
	  - The recruitment and termination policies and practices of the Exchange
	  - Any company share schemes or other incentive schemes
	  - The remuneration arrangements for members of the Board
	• Recommend the amount and structure of remuneration package of the President and top level officers; and
	• Consider and ratify principles which will govern the setting of the remuneration of executives and other employees, and to review proposals for changes in terms and conditions of employment of executives.

STRATEGIC ADVISORY TASK FORCE	• Develop with management a strategic business plan to enhance governance and operational efficiency of the Exchange, through:
	  - Strategic monitoring: Business Plan vs. ADB Profitability Study, ASX Study and IFC Study.
	  - Strategic partnerships and affiliations with other exchanges and IT providers, including possible BPO for other exchanges.
	  - Information Technology – new/upgrade trading system in coordination with FTAC and ATG
	  - Pursue access for offsite trading – assess floor and floorless trading
	• Participate in the development of the ASEAN Index.

List of
Companies and Issues
(As of end January 2006, based on the new PSE sector & industry classification)

NAME OF STOCK	STOCK SYMBOL	PAR VALUE
EQUITIES - PESO DENOMINATED TRADING		
FINANCIAL		
BANKS		
ASIATRUST DEVELOPMENT BANK, INC.	ASIA	10.00
BANCO DE ORO UNIVERSAL BANK	BDO	10.00
BANCO FILIPINO SAVINGS AND MORTGAGE BANK	BF	100.00
BANK OF THE PHILIPPINE ISLANDS	BPI	10.00
CHINA BANKING CORPORATION	CHIB	100.00
CHINATRUST (PHILS.) COMMERCIAL BANK CORPORATION	CHTR	10.00
CITYSTATE SAVINGS BANK, INC.	CSB	10.00
EQUITABLE PCI BANK, INC.	EPCI	10.00
EXPORT AND INDUSTRY BANK, INC.	EIB	1.00
INTERNATIONAL EXCHANGE BANK	IBNK	10.00
METROPOLITAN BANK & TRUST COMPANY	MBT	20.00
PHILIPPINE BANK OF COMMUNICATIONS	PBC	100.00
PHILIPPINE NATIONAL BANK	PNB	40.00
PHILIPPINE SAVINGS BANK	PSB	10.00
PHILIPPINE TRUST COMPANY	PTC	10.00
PRUDENTIAL BANK	PB	100.00
RIZAL COMMERCIAL BANKING CORPORATION	RCB	10.00
SECURITY BANK CORPORATION	SECB	10.00
UNION BANK OF THE PHILIPPINES, INC.	UBP	10.00
OTHER FINANCIAL INSTITUTIONS		
ATR KIM ENG FINANCIAL CORPORATION	ATRK	1.00
BANKARD, INC.	BKD	1.00
FILIPINO FUND, INC.	FFI	1.00
FIRST ABACUS FINANCIAL HOLDINGS CORPORATION	FAF	1.00
FIRST METRO INVESTMENT CORPORATION	FMIC	10.00
IVANTAGE CORPORATION	V	1.00
MANULIFE FINANCIAL CORPORATION	MFC	–
PCI LEASING AND FINANCE, INC.	PCIL	1.00
SUN LIFE FINANCIAL, INC.	SLF	–
THE PHILIPPINE STOCK EXCHANGE, INC.	PSE	1.00
INDUSTRIAL		
ELECTRICITY, ENERGY, POWER & WATER		
EAST ASIA POWER RESOURCES CORPORATION	PWR	1.00
FIRST PHILIPPINE HOLDINGS CORPORATION	FPH	10.00
MANILA ELECTRIC COMPANY	MER	10.00
MANILA WATER COMPANY, INC.	MWC	1.00
PETRON CORPORATION	PCOR	1.00
SALCON POWER CORPORATION	SPC	1.00
TRANS-ASIA OIL AND ENERGY DEVELOPMENT CORPORATION	TA	1.00

NAME OF STOCK	STOCK SYMBOL	PAR VALUE
FOOD, BEVERAGE & TOBACCO		
ALASKA MILK CORPORATION	AMC	1.00
BOGO MEDELLIN MILLING COMPANY, INC.	BMM	10.00
CADP GROUP CORPORATION	CAC	1.00
CENTRAL AZUCARERA DE TARLAC, INC.	CAT	10.00
COSMOS BOTTLING CORPORATION	CBC	1.00
GINEBRA SAN MIGUEL INC.	GSMI	1.00
JOLLIBEE FOODS CORPORATION	JFC	1.00
LIBERTY FLOUR MILLS, INC.	LFM	10.00
PANCAKE HOUSE, INC.	PCKH	1.00
PHILIPPINE TOBACCO FLUE-CURING AND REDRYING CORPORATION	TFC	1.00
ROXAS HOLDINGS, INC.	ROX	1.00
RFM CORPORATION	RFM	2.00
SAN MIGUEL CORPORATION	SMC	5.00
SAN MIGUEL PURE FOODS COMPANY, INC.	PF	10.00
SWIFT FOODS, INC.	SFI	1.00
TANDUAY HOLDINGS, INC.	TDY	1.00
UNIVERSAL ROBINA CORPORATION	URC	1.00
VICTORIAS MILLING COMPANY, INC.	VMC	10.00
VITARICH CORPORATION	VITA	1.00
CONSTRUCTION & OTHER RELATED PRODUCTS		
AGP INDUSTRIAL CORPORATION	AGP	6.00
CONCRETE AGGREGATES CORPORATION	CA	10.00
EEI CORPORATION	EEI	1.00
FEDERAL CHEMICALS, INCORPORATED	FED	1.00
FORTUNE CEMENT CORPORATION	FCC	1.00
HOLCIM PHILIPPINES, INC.	HLCM	1.00
MARIWASA MANUFACTURING, INC.	MMI	1.00
PHILIPPINE NATIONAL CONSTRUCTION CORPORATION	PNC	10.00
REPUBLIC CEMENT CORPORATION	RCM	1.00
SANITARY WARES MANUFACTURING CORPORATION	SWM	1.00
SOUTHEAST ASIA CEMENT HOLDINGS, INC.	CMT	1.00
SUPERCITY REALTY DEVELOPMENT CORPORATION	SRDC	1.00
CHEMICALS		
CHEMICAL INDUSTRIES OF THE PHILIPPINES, INC.	CIP	10.00
CORRO-COAT, INC.	COAT	1.00
EURO-MED LABORATORIES PHIL., INC.	EURO	1.00
INTERPHIL LABORATORIES, INC.	ILI	1.00
LMG CHEMICALS CORP.	LMG	1.00
MABUHAY VINYL CORPORATION	MVC	1.00
METRO ALLIANCE HOLDINGS & EQUITIES CORP.	MAH	1.00
PRYCE CORPORATION	PPC	1.00
DIVERSIFIED INDUSTRIALS		
ACTIVE ALLIANCE INCORPORATED	AAI	1.00

NAME OF STOCK	STOCK SYMBOL	PAR VALUE
GLOBAL EQUITIES, INCORPORATED	GEI	1.00
MACONDRAY PLASTICS, INC.	MRAY	1.00
PANASONIC MANUFACTURING PHILIPPINES CORPORATION	PMPC	1.00
PICOP RESOURCES, INC.	PCP	1.00
STENIEL MANUFACTURING CORPORATION	STN	1.00
FILSYN CORPORATION	FYN	5.00
HOLDING FIRMS		
A. SORIANO CORPORATION	ANS	1.00
ABACUS CONSOLIDATED RESOURCES AND HOLDINGS, INC.	ABA	0.01
ABOITIZ EQUITY VENTURES, INC.	AEV	1.00
ALCORN GOLD RESOURCES CORPORATION	APM	0.01
ALLIANCE GLOBAL GROUP, INC.	AGI	1.00
AJO.NET HOLDINGS, INC.	AJO	0.10
ALSONS CONSOLIDATED RESOURCES, INC.	ACR	1.00
ANGLO PHILIPPINE HOLDINGS CORPORATION	APO	1.00
APC GROUP, INC.	APC	1.00
ARIES PRIME RESOURCES, INC.	APR	1.00
ASIA AMALGAMATED HOLDINGS CORPORATION	AAA	1.00
ATN HOLDINGS, INC.	ATN	1.00
ATOK-BIG WEDGE CO., INC.	AB	1.00
AYALA CORPORATION	AC	50.00
BACNOTAN CONSOLIDATED INDUSTRIES, INC.	BCI	10.00
BAGUIO GOLD HOLDINGS CORPORATION	B	1.00
BALABAC RESOURCES AND HOLDINGS CO., INC.	BAL	1.00
BENPRES HOLDINGS CORPORATION	BPC	1.00
BHI HOLDINGS, INC.	BH	100.00
CITY RESOURCES (PHIL.) CORPORATION	CRC	1.00
DMCI HOLDINGS, INC.	DMC	1.00
F & J PRINCE HOLDINGS CORPORATION	FJP	1.00
FIL-ESTATE CORPORATION	FC	1.00
FILINVEST DEVELOPMENT CORPORATION	FDC	1.00
FORUM PACIFIC, INC.	FPI	1.00
GLOBAL BUSINESS HOLDINGS, INC.	GBH	50.00
HOUSE OF INVESTMENTS, INC.	HI	1.50
JG SUMMIT HOLDINGS, INC.	JGS	1.00
JOLLIVILLE HOLDINGS CORPORATION	JOH	1.00
KEPPEL PHILIPPINES HOLDINGS, INC.	KPH	1.00
LODESTAR INVESTMENT HOLDINGS CORPORATION	LIHC	1.00
MABUHAY HOLDINGS CORPORATION	MHC	1.00
MAGNUM HOLDINGS, INC.	MHI	1.00
MEDCO HOLDINGS, INC.	MED	1.00
MULTITECH INVESTMENTS CORP.	MIC	1.00
PACIFICA, INC.	PA	0.005
PRIME MEDIA HOLDINGS, INC.	PRIM	1.00
PRIME ORION PHILIPPINES, INC.	POPI	1.00
REPUBLIC GLASS HOLDINGS CORPORATION	REG	1.00
SEAFRONT RESOURCES CORPORATION	SPM	1.00
SINOPHIL CORPORATION	SINO	1.00
SM INVESTMENTS CORPORATION	SM	10.00
SOLID GROUP, INC.	SGI	1.00
SOUTH CHINA RESOURCES, INC.	SOC	1.00
UEM DEVELOPMENT PHILS., INC.	MK	1.00
UNIOIL RESOURCES & HOLDINGS COMPANY, INC.	UNI	1.00
VIVANT CORPORATION	VVT	1.00
WELLEX INDUSTRIES, INCORPORATED	WIN	1.00
WISE HOLDINGS, INC.	WHI	1.00
ZEUS HOLDINGS, INC.	ZHI	1.00
PROPERTY		
A BROWN COMPANY, INC.	BRN	1.00
ARANETA PROPERTIES, INC.	ARA	1.00
AYALA LAND, INC.	ALI	1.00
BELLE CORPORATION	BEL	1.00
C & P HOMES, INC.	CMP	1.00
CEBU HOLDINGS, INC.	CHI	1.00
CEBU PROPERTY VENTURES AND DEVELOPMENT CORPORATION	CPV	1.00
CITY AND LAND DEVELOPERS, INCORPORATED	LAND	1.00
CITYLAND DEVELOPMENT CORPORATION	CDC	1.00
CROWN EQUITIES, INC.	CEI	1.00
CYBER BAY 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
EVER-GOTESCO RESOURCES AND HOLDINGS, INC.	EVER	1.00
FAIRMONT HOLDINGS, INC.	FAIR	1.00
FIL-ESTATE LAND, INC.	LND	1.00
FILINVEST LAND, INC.	FLI	1.00
GOTESCO LAND, INC.	GO	1.00
HIGHLANDS PRIME, INC.	HP	1.00
INTERPORT RESOURCES CORPORATION	IRC	0.01
KEPPEL PHILIPPINES PROPERTIES, INC.	KEP	1.00
KUOK PHILIPPINE PROPERTIES, INC.	KPP	1.00
MARSTEEL CONSOLIDATED, INC.	MC	0.01
MEGAWORLD CORPORATION	MEG	1.00
METRO PACIFIC CORPORATION	MPC	1.00
MRC ALLIED INDUSTRIES, INC.	MRC	1.00
PHILIPPINE ESTATES CORPORATION	PHES	1.00
PHILIPPINE REALTY AND HOLDINGS CORPORATION	RLT	1.00
POLAR PROPERTY HOLDINGS CORPORATION	PO	1.00
PRIMETOWN PROPERTY GROUP, INC.	PMT	1.00
PRIMEX CORPORATION	PRMX	1.00
ROBINSONS 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

NAME OF STOCK	STOCK SYMBOL	PAR VALUE
UNIVERSAL RIGHTFIELD PROPERTY HOLDINGS, INC.	UP	1.00
UNIWIDE HOLDINGS, INC.	UW	1.00
ZIPPORAH REALTY HOLDINGS, INC.	ZIP	1.00
SERVICE		
MEDIA		
ABS-CBN BROADCASTING CORPORATION	ABS	1.00
MANILA BROADCASTING COMPANY	MBC	1.00
MANILA BULLETIN PUBLISHING CORPORATION	MB	1.00
TELECOMMUNICATIONS		
DIGITAL TELECOMMUNICATIONS PHILS., INC.	DGTL	1.00
GLOBE TELECOM, INC.	GLO	50.00
LIBERTY TELECOMS HOLDINGS, INC.	LIB	1.00
PHILIPPINE LONG DISTANCE TELEPHONE COMPANY "Common"	TEL	5.00
PHILIPPINE TELEGRAPH AND TELEPHONE CORPORATION	PTT	1.00
PILIPINO TELEPHONE CORPORATION	PLTL	1.00
INFORMATION TECHNOLOGY		
BOULEVARD HOLDINGS, INC.	BHI	0.10
DIVERSIFIED FINANCIAL NETWORK, INC.	DFNN	1.00
IMPERIAL RESOURCES, INCORPORATED	IMP	0.01
IONICS, INC.	ION	1.00
ISLAND INFORMATION & TECHNOLOGY, INC.	IS	0.01
IPVG CORP.	IPVG	1.00
ISM COMMUNICATIONS CORPORATION	ISM	0.01
MUSIC SEMICONDUCTORS CORPORATION	MUSX	1.00
NEXTSTAGE, INC.	NXT	1.00
PHILWEB CORPORATION	WEB	0.01
TRANSPACIFIC BROADBAND GROUP INTERNATIONAL, INC.	TBGI	1.00
TRANSPORTATION SERVICES		
ABOITIZ TRANSPORT SYSTEM (ATSC) CORPORATION	ATS	1.00
ASIAN TERMINALS, INC.	ATI	1.00
INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.	ICT	1.00
KEPPEL PHILIPPINES MARINE, INC.	KPM	1.00
LORENZO SHIPPING CORPORATION	LSC	1.00
HOTEL & LEISURE		
ACESITE (PHILS.) HOTEL CORPORATION	DHC	1.00
GRAND PLAZA HOTEL CORPORATION	GPH	10.00
LEISURE & RESORTS WORLD CORPORATION	LR	1.00
MANILA JOCKEY CLUB, INC.	MJC	1.00
MONDRAGON INTERNATIONAL PHILIPPINES, INCORPORATED	MON	1.00
PHILIPPINE RACING CLUB, INC.	PRC	1.00

NAME OF STOCK	STOCK SYMBOL	PAR VALUE
PREMIERE ENTERTAINMENT PRODUCTIONS, INC.	PEP	1.00
WATERFRONT PHILIPPINES, INCORPORATED	WPI	1.00
EDUCATION		
CENTRO ESCOLAR UNIVERSITY	CEU	1.00
FAR EASTERN UNIVERSITY, INCORPORATED	FEU	100.00
IPEOPLE, INC.	IPO	1.00
DIVERSIFIED SERVICES		
EASYCALL COMMUNICATIONS PHILIPPINES, INC.	ECP	1.00
PAXYS, INC.	PAX	1.00
MACROASIA CORPORATION	MAC	1.00
MIC HOLDINGS CORPORATION	MET	100.00
PHILCOMSAT HOLDINGS CORPORATION	PHC	1.00
PRIME GAMING PHILIPPINES, INC.	PGPI	10.00
JARDINE DAVIES INC.	JDI	4.00
PHILIPPINE SEVEN CORPORATION	SEVN	1.00
MINING & OIL		
MINING		
ABRA MINING AND INDUSTRIAL CORPORATION	AR	0.01
APEX MINING CO., INC.	APX	1.00
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION	AT	10.00
BENGUET CORPORATION	BC	3.00
DIZON COPPER-SILVER MINES, INC.	DIZ	1.00
LEPANTO CONSOLIDATED MINING COMPANY	LC	0.10
MANILA MINING CORPORATION	MA	0.01
OMICO CORPORATION	OM	0.01
PHILEX MINING CORPORATION	PX	1.00
SEMIRARA MINING CORPORATION	SCC	1.00
UNITED PARAGON MINING CORPORATION	UPM	1.00
VULCAN INDUSTRIAL & MINING CORPORATION	VUL	1.00
OIL		
BASIC CONSOLIDATED, INC.	BSC	1.00
ORIENTAL PETROLEUM AND MINERALS CORPORATION	OPM	0.01
PETROENERGY RESOURCES CORPORATION	PERC	1.00
PNOC EXPLORATION CORPORATION	PEC	1.00
THE PHILODRILL CORPORATION	OV	1.00
PREFERRED		
ABOITIZ TRANSPORT SYSTEM (ATSC) CORPORATION - Redeemable Pref.	ATSP	1.00
ALLIED BANKING CORPORATION - 15% Cum. Convertible Pref. A	ABC	1,000
BENGUET CORPORATION - 8% Cumulative Convertible Pref. A	BCP	3.44

NAME OF STOCK	STOCK SYMBOL	PAR VALUE
BANCO FIL. SAVINGS AND MORTGAGE BANK - $15\frac{1}{2}$% Cum. Conv. Pref.	BFC	100.00
BANCO FIL. SAVINGS AND MORTGAGE BANK - $15\frac{1}{2}$% Cum. Non-Conv. Pref.	BFNC	100.00
DMCI HOLDINGS, INC. - Cumulative Convertible Pref.	DMCP	1.00
GLOBE TELECOM, INC. - Preferred A	GLO-PA	5.00
PHILIPPINE NATIONAL BANK. - Convertible Preferred	PNBP	40.00
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

NAME OF STOCK	STOCK SYMBOL	PAR VALUE
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	TLAA	10.00
PLDT 10% Cumulative Convertible Pref. Series BB	TLBB	10.00
PLDT 10% Cumulative Convertible Pref. Series CC	TLCC	10.00
PLDT 10% Cumulative Convertible Pref. Series DD	TLDD	10.00
PLDT 10% Cumulative Convertible Pref. Series EE	TLEE	10.00
SWIFT FOODS, INC. - Convertible Pref.	SFIP	1.00
WARRANTS, PHIL. DEPOSIT RECEIPTS, ETC.		
ABS-CBN HOLDINGS CORPORATION Phil. Deposit Receipts	ABSP	–
F & J PRINCE HOLDINGS CORP. - First Tranche "A" Warrants 2007	FJPAWI	–
F & J PRINCE HOLDINGS CORP. - First Tranche "B" Warrants 2007	FJPBW1	–
F & J PRINCE HOLDINGS CORP. - Second Tranche "A" Warrants 2008	FJPAW2	–
F & J PRINCE HOLDINGS CORP. - Second Tranche "B" Warrants 2008	FJPBW2	
SMALL AND MEDIUM ENTERPRISES		
CASHROUNDS, INC.	CASH	1.00
MAKATI FINANCE CORPORATION	MFIN	1.00
SQL *WIZARD, INC.	WIZ	1.00
EQUITIES - PESO DENOMINATED TRADING		
PHILIPPINE LONG DISTANCE TELEPHONE COMPANY - USD	DTEL	1.00

List of
Active Trading Participants
(As of 31 January 2006)

A & A SECURITIES, INC.
1906 Ayala Avenue Condominium
6776 Ayala Avenue, Makati City
Office: 891-1008 to 10
Exchange: 891-1008 to 10

A.T. DE CASTRO SECURITIES CORP.
7/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 848-7160 to 63
Exchange: 848-7160 to 63

AAA SOUTHEAST EQUITIES, INC.
G/F Fortune Life Building
162 Legaspi Street, Legaspi Village,
Makati City
Office: 816-2918
892-9841 to 49 loc. 103
Exchange: 891-9570 to 72

AB CAPITAL SECURITIES, INC.
8th Floor, Phinma Plaza
39 Plaza Drive, Rockwell Center
Makati City
Office: 898-7555
Exchange: 891-9135

ABACUS SECURITIES CORPORATION
29/F, East Tower – PSE Centre
Exchange Road, Ortigas Center,
Pasig City
Office: 634-5104
Exchange: 634-6993; 634-6842

ABN AMRO ASIA SECURITIES (PHILIPPINES), INC.
19/F, The LKG Tower
6801 Ayala Avenue, Makati City
Office: 867-7800; 884-1000
Exchange: 848-7177 to 78

ACCORD CAPITAL EQUITIES CORPORATION
G/F, Unit EC-05B,
PSE Centre-East Tower, Exchange Rd.,
Ortigas Center, Pasig City
Office: 687-5071/687-3224;
687-3733
Exchange: 687-0911; 687-0936

ALAKOR SECURITIES CORPORATION
5/F, Quad Alpha Centrum
125 Pioneer Street,
Mandaluyong City
Office: 631-8173; 637-4496
Exchange: 634-6928 to 29

ALPHA SECURITIES CORPORATION
23/F, Orient Square Building
Emerald Avenue, Ortigas Center,
Pasig City
Office: 638-2388 to 93; 638-3764
Exchange: 638-6692 to 93; 638-6689

ANGPING & ASSOCIATES SECURITIES, INC.
Suite 2003-2004, The Peak
107 L. P. Leviste Street,
Salcedo Village, Makati City
Office: 848-2915
Exchange: 891-9115

ANSALDO, GODINEZ & COMPANY, INC.
340 Nueva Street, Binondo, Manila
Office: 242-5124 to 25;
242-5127 to 31
Exchange: 634-5160 & 63;
634-6232 to 34
634-6521 to 22

APEX PHILS. EQUITIES CORPORATION
2/F, Mary Bachrach Building
Port Area, Manila
Office: 527-8888 loc.219; 527-5291
Exchange: 891-8586

ARMSTRONG SECURITIES, INC.
20/F, Equitable PCI Tower I
Makati Avenue cor. H.V. dela Costa Street,
Makati City
Office: 878-4043
Exchange: 891-8534; 891-8542;
891-8563

ASIA PACIFIC CAPITAL EQUITIES & SECURITIES CORP.
24/F, Galleria Corporate Center
EDSA cor. Ortigas Avenue,
Quezon City
Office: 634-5621
Exchange: 891-9550 to 59; 891-8571

ASIASEC EQUITIES, INC.
8/F, Chatham House 16 Valero cor.
Herrera Streets, Salcedo Village,
Makati City
Office: 845-3421 to 26
Exchange: 891-9370 to 75

ASTRA SECURITIES CORP.
12/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 848-6421 to 27
Exchange: 891-9126 to 27

ATC SECURITIES, INC.
29/F Jollibee Plaza, Emerald Ave.,
Ortigas Center, Pasig City
Office: 683-0204; 687-1768
687-2866; 683-0201
Exchange: 891-9337 to 38

ATR-KIM ENG SECURITIES, INC.
17/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 848-5298; 849-8888
Exchange: 891-9120;
891-9124 to 25

AURORA SECURITIES, INC.
24/F, West Tower – PSE Centre,
Exchange Road, Ortigas Center,
Pasig City
Office: 634-8321 to 24
Exchange: 634-8321 to 24

B. H. CHUA SECURITIES CORPORATION
872 G. Araneta Avenue, Quezon City
Office: 742-5850; 742-6032; 412-3444
Exchange: 891-9771 to 73

BA SECURITIES, INC.
Room 401-403, CLMC Building
259-267 EDSA, Mandaluyong City
Office: 727-5374; 722-0132
Exchange: 891-9672 to 75

BDO SECURITIES CORPORATION
27/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 848-5847
Exchange: 848-5836; 848-7015

BELSON SECURITIES, INC.
4/F, Belson House
271 EDSA, Mandaluyong City
Office: 724-7586 to 90; 724-7580
Exchange: 891-9860 to 68

BENJAMIN CO CA & COMPANY, INC.
Rm. 301-305, Downtown Center Bldg.
516 Q. Paredes St., Binondo, Manila
Office: 241-1261; 241-1345
Exchange: 634-5186 to 90

BERNAD SECURITIES, INC.
3/F, 1033 M. H. del Pilar Street,
Ermita, Manila
Office: 524-5326; 524-5186; 524-5267
Exchange: 635-6756 to 60; 635-5665

BPI SECURITIES CORPORATION
8/F, BPI Head Office
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 891-9262 ; 891-9264
Exchange: 891-9930; 845-5541; 848-5543; 845-5545

CAMPOS, LANUZA & COMPANY, INC.
20/F, East Tower – PSE Centre
Exchange Road, Ortigas Center,
Pasig City
Office: 634-6881 to 87; 634-6888; 636-3134; 638-3510; 636-3135; 636-3138
Exchange: 636-3001 to 05

CENTURY SECURITIES CORPORATION
Rm. 1105 Galleria Corporate Center
EDSA cor. Ortigas Avenue,
Quezon City
Office: 633-7044 to 46
Exchange: 891-9880 to 81

CITISECURITIES, INC.
27/F, East Tower – PSE Centre
Exchange Road, Ortigas Center
Pasig City
Office: 635-5735 to 40
Exchange: 634-6976 to 80

CLSA PHILIPPINES, INC.
18/F Tower 1, The Enterprise Center
6766 Ayala Avenue, Makati City
Office: 886-5637 to 46; 886-5647 to 50
Exchange: 891-9945; 759-4073

COHERCO SECURITIES, INC.
240 Banawe cor. Panalturan Streets,
Manresa, Quezon City
Office: 363-7602
Exchange: 848-7301

CUALOPING SECURITIES CORPORATION
Suite 1801 Tytana Centre
Plaza Lorenzo Ruiz, Binondo,
Manila
Office: 241-0262; 309-4258
Exchange: 634-5745 to 46; 634-5180; 634-5755

DA MARKET SECURITIES, INC.
24/F, West Tower – PSE Centre
Exchange Road, Ortigas Center
Pasig City
Office: 637-3624; 637-4242
Exchange: 891-9143 to 44

DAVID GO SECURITIES CORPORATION
Rm. 309 Federation Center Building
Muelle de Binondo, Binondo, Manila
Office: 242-2375 & 79; 242-2467
Exchange: 634-5048 to 49; 634-5178

DBP-DAIWA SECURITIES SMBC PHILIPPINES, INC.
18/F, Citibank Tower 8741 Paseo de
Roxas, Makati City
Office: 813-7344; 813-7454
Exchange: 891-9109; 891-9119

DEUTSCHE REGIS PARTNERS, INC.
23/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 894-6600; 894-6651 to 58
Exchange: 891-9090

DIVERSIFIED SECURITIES, INC.
5/F, PDCP Bank Centre
Herrera cor. Alfaro Streets,
Salcedo Village, Makati City
Office: 892-2890; 892-4330; 753-5250 to 53
Exchange: 636-0814; 634-6630 to 31

E. CHUA CHIACO SECURITIES, INC.
113 Rentas Street, Binondo, Manila
Office: 242-5145; 241-9293
Exchange: 891-9246 to 48

EAGLE EQUITIES, INC.
779 Harvard Street, Mandaluyong City
Office: 724-1584; 725-2777
Exchange: 634-6684; 634-6283

EASTERN SECURITIES DEV'T. CORP.
17/F, Tytana Building, Binondo, Manila
Office: Makati 848-5491 to 95
Binondo 242-4006 to 09
Exchange: 891-9340 to 44

EASTWEST CAPITAL CORPORATION
1331 Angono Street, Makati City
Office: 897-6807
Exchange: 891-9801; 891-9803

EIB SECURITIES, INC.
11/F, ExportBank Plaza
Chino Roces Avenue
cor. Sen. Gil Puyat Avenue,
Makati City
Office: 878-0775; 878-0790;
886-1801 to 04
Exchange: 848-5386; 848-5396

EQUITIWORLD SECURITIES, INC.
8/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 848-5401;
848-5403 to 06
Exchange: 891-9755 to 58

EVERGREEN STOCK BROKERAGE & SECURITIES, INC.
6/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 891-9451 to 58
Exchange: 891-9451 to 58

F. YAP SECURITIES, INC.
23/F, East Tower – PSE Centre
Exchange Road, Ortigas Center
Pasig City
Office: 635-4125 to 30;
635-4141
Exchange: 634-5171; 634-6917;
634-5390 to 91;
634-6217 to 18

FIDELITY SECURITIES, INC.
2/F, JTKC Centre
2155 Pasong Tamo, Makati City
Office: 818-6774; 812-6267
Exchange: 634-7110; 633-9707;
633-9710; 633-9711

FIRST INTEGRATED CAPITAL SECURITIES, INC.
12/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 759-4320 to 23;
891-9418 to 19
Exchange: 759-4320 to 23;
891-9418 to 19

FIRST METRO SECURITIES BROKERAGE CORPORATION
15/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 759-4133 to 34
Exchange: 891-9514 to 17

FIRST ORIENT SECURITIES, INC.
12/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 891-9240;
891-9243 to 44
Exchange: 891-9240 to 45

FRANCISCO ORTIGAS SECURITIES, INC.
Room 815, Ortigas Building,
Ortigas Avenue, Pasig City
Office: 631-2674; 631-2733
Exchange: 634-5149 to 53

G. D. TAN & COMPANY, INC.
22/F, East Tower – PSE Centre
Exchange Road, Ortigas Center,
Pasig City
Office: 634-6255; 637-5686
Exchange: 634-6255; 634-5408;
634-6256

GLOBALINKS SECURITIES & STOCKS, INC.
7/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 848-6341 to 42;
759-4136 to 37
Exchange: 891-9920 to 22

GOLDEN TOWER SECURITIES & HOLDINGS, INC.
4/F, Vernida I Condominium
120 Amorsolo Street,
Legaspi Village, Makati City
Office: 813-2839; 892-1316
Exchange: 891-9680 to 82

GOLDSTAR SECURITIES, INC.
22/F, East Tower – PSE Centre
Exchange Road, Ortigas Center,
Pasig City
Office: 636-0197;
633-7485 to 86
Exchange: 634-6765 & 69;
634-6983 & 87

GUILD SECURITIES, INC.
12/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 891-9230;
891-9234 to 35
Exchange: 891-9232 to 37;
891-9230

H. E. BENNETT SECURITIES, INC.
Room 1704 World Trade Exchange Bldg.
215 Juan Luna Street,
Binondo, Manila
Office: 242-5733
241-6284;241-6458
Exchange: 634-5030; 634-6235

HDI SECURITIES, INC.
20th Floor, Orient Square Building,
Emerald Ave., Ortigas Center,
Pasig City
Office: 687-7955 to 57; 910-6188
Exchange: 891-9512; 891-9619
848-0998; 848-7118

HK SECURITIES, INC.
Suite 102, Columbia Tower
Ortigas Avenue, Mandaluyong City
Office: 725-6356 to 57; 724-6336;
724-9967 & 69; 724-6325
Exchange: 891-9522 to 25

I. ACKERMAN & COMPANY, INC.
7/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office & Exchange: 891-9070 to 72

I.B. GIMENEZ SECURITIES, INC.
No. 42 3/F New Rosario Ortigas Arcade,
Rosario Ortigas Extn., Pasig
Office: 628-0000 local 306
Exchange: 634-6260 to 61;
634-6263 to 65; 634-5168

IGC SECURITIES, INC.
10/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 891-9193 to 94
Exchange: 891-9190 to 92

IMPERIAL, DE GUZMAN,
ABALOS & CO., INC.
Greenfield Building I 750 Shaw Blvd.,
Mandaluyong City
Office: 633-2686; 634-5717;
631-8651 loc. 145
Exchange: 634-5161 & 66;
634-5739; 634-5710

INTRA-INVEST SECURITIES, INC.
11/F, ACT Tower
135 Sen. Gil Puyat Avenue,
Salcedo Village, Makati City
Office: 813-8293 to 94
Exchange: 891-9206; 891-9208

INVESTORS SECURITIES, INC.
6/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 848-7032 to 33;
891-9441 to 42
Exchange: 891-9441 to 46

J. M. BARCELON & COMPANY, INC.
3/F, Pako Building Pedro Gil Street
cor. A. Linao & Gen. Luna Streets,
Paco, Manila
Office: 523-6808; 721-2708;
725-1004
Exchange: 635-0236

J. P. MORGAN SECURITIES
PHILIPPINES, INC.
31/F, Philam Life Tower 8767
Paseo de Roxas, Makati City
Office: General 885-7700;
Sales 885-7801;
757-2101
Exchange: 687-2364; 687-2370

JAKA SECURITIES CORPORATION
8/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 848-7122 to 24
Exchange: 848-6413 to 15

JSG SECURITIES, INC.
4/F, A & T Building,
244 Escolta Street, Binondo,
Manila
Office: 241-0594; 242-9380;
242-9385
Exchange: 637-3159 to 61

KEPPEL SECURITIES
PHILIPPINES, INC.
c/o American Orient Capital Partners
25/F Philamlife Tower 8767
Paseo de Roxas, Makati City
Exchange: 841-0703

KING'S POWER SECURITIES, INC.
Room 704, Federal Tower
Dasmariñ'f1as Street, Binondo,
Manila
Office: 242-3048 to 49
Exchange: 848-5605 to 07

LARRGO SECURITIES
COMPANY, INC.
2/F, Rufino Tower Building
6784 Ayala Avenue, Makati City
Office: 810-1183;
810-1353 to 54
810-1440 & 46
Exchange: 891-9530 to 33

LITONJUA SECURITIES, INC.
Room 205 DITZ Building
444 T. M. Kalaw Street, Manila
Office: 521-1951 to 57
Exchange: 634-7178; 634-5713

LOPEZ, LOCSIN, LEDESMA
& COMPANY, INC.
Roofdeck, Urban Building 405 Sen.
Gil Puyat Avenue (nr. MRT)
EDSA, Makati City
Office: 896-0835; 848-6651
Exchange: 891-9640 to 41

LUCKY SECURITIES, INC.
19/F, West Tower – PSE Centre
Exchange Road, Ortigas Center,
Pasig City
Office: 634-6826; 634-6786;
634-6747 & 60
Exchange: 634-5382 to 83;
634-5411; 634-5707

LUY'S SECURITIES COMPANY, INC.
28/F, LKG Tower 6801 Ayala Avenue,
Makati City
Office: 884-1271 to 85
Exchange: 634-5175 to 76; 634-6523 to 24; 634-6850 to 51

MACQUARIE SECURITIES (PHILIPPINES), INC.
7/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 857-0888
Exchange: 848-5213; 848-5228; 840-8480; 840-8483

MANDARIN SECURITIES CORPORATION
28/F, LKG Tower 6801 Ayala Avenue,
Makati City
Office: 884-1271 to 85
Exchange: 634-6517 to 20

MARIAN SECURITIES, INC.
Universal Family Center Building
2232 Pasong Tamo Extension
Makati City
Office: 819-1134; 750-2440
Exchange: 891-9309; 891-9316

MDR SECURITIES, INC.
18/F, Medical Plaza Ortigas Bldg.
San Miguel Avenue, Ortigas Center
Pasig City
Office: 910-3124 to 25; 638-3899; 636-4788
Exchange: 891-9226 to 28

MERCANTILE SECURITIES CORP.
20/F, Banco de Oro Plaza
8737 Paseo de Roxas, Makati City
Office: 813-3131
Exchange: 891-9350 to 58

MERIDIAN SECURITIES, INC.
27/F, East Tower – PSE Centre
Exchange Road, Ortigas Center,
Pasig City
Office: 635-6261 to 64
Exchange: 634-6931 to 36

MOUNT PEAK SECURITIES, INC.
748 C. K. Building, Juan Luna St.,
Binondo, Manila
Office: 241-7990 & 92; 241-8043; 243-1953
Exchange: 891-9601 to 05

NEW WORLD SECURITIES, INC.
Room 202 CNC Investment Bldg.
231 Juan Luna St., Binondo, Manila
Office: 242-1759; 242-1767
Exchange: 634-5711 to 12; 634-5721

NIEVES SANCHEZ, INC.
Room 400 CNC Investment Bldg.
231 Juan Luna Street, Binondo, Manila
Office: 241-7142; 241-6890
Exchange: 891-9306 to 08

OPTIMUM SECURITIES CORPORATION
No. 11 E. O. Building cor. United & 2nd Streets,
Bo. Kapitolyo, Pasig City
Office: 631-7831 to 36; 631-3989; 633-2629
Exchange: 891-9581 to 85

PAN ASIA SECURITIES CORPORATION
9/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 848-5153 to 54
Exchange: 891-9170 to 74

PAPA SECURITIES CORPORATION
6/F, S & L Building De la Rosa cor.
Esteban Streets, Legaspi Village,
Makati City
Office: 817-8433 & 79; 817-8454; 815-1308
Exchange: 891-9630 to 32

PCCI SECURITIES BROKERS CORP.
4/F, PCCI Corporate Center 118 L. P.
Leviste Street, Salcedo Village,
Makati City
Office: 893-3920; 893-3923 to 24; 893-4341
Exchange: 891-9952 to 55; 848-6284 to 85; 840-2991

PCIB SECURITIES, INC.
20/F, Equitable PCI Tower I,
Makati Ave. cor. H.V. dela Costa St.,
Makati City
Office: 878-4556; 878-4558; 878-4562 to 63
Exchange: 891-9008 to 09; 891-9045

PHILIPPINE EQUITY PARTNERS, INC.
Unit 19C, Citibank Tower,
Citibank Plaza 8741 Paseo de Roxas
Makati City
Office: 814-5700
Exchange: 891-9162; 891-9222; 891-9097

PHIL-PROGRESS SECURITIES CORP.
G/F, PPL Building, U. N. Avenue
cor. San Marcelino Street, Manila
Office: 526-4207; 526-4208 &10
Exchange: 891-8579 to 80

PLATINUM SECURITIES, INC.
8/F, Antel 2000 Corporate Center
121 Valero St., Salcedo Vill.,
Makati City
Office: 887-1178 to 79
Exchange: 891-9301 to 03

PNB SECURITIES, INC.
3/F, PNB Financial Center
Roxas Boulevard, Pasay City
Office: 526-3510; 526-3678; 832-5461; 526-3478
Exchange: 891-9841; 891-9846; 891-9849

PREMIUM SECURITIES, INC.
14/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 848-5915 to 17
Exchange: 891-9593 to 95

PUBLIC SECURITIES CORPORATION
12/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 848-7373 to 74; 811-4706; 811-4526
Exchange: 891-9490 to 93

QUALITY INVESTMENT & SECURITIES CORP.
Unit 1602 Tytana Plaza
Plaza Lorenzo Ruiz, Binondo, Manila
Office: 241-0072; 241-0486; 241-0547
Exchange: 891-9184 to 89

R & L INVESTMENTS, INC.
675 Lee Street, Mandaluyong City
Office: 724-5207
Exchange: 891-9201 to 05

R. COYIUTO SECURITIES, INC.
5/F, Corinthian Plaza, Paseo de Roxas,
Legaspi Village, Makati City
Office: 811-3064 to 67; 811-3201
Exchange: 634-6203 to 07; 634-5035; 634-6697 & 69

R. NUBLA SECURITIES, INC.
Room 300, CNC Investment Bldg.
231 Juan Luna Street, Binondo, Manila
Office: 242-1595 to 96; 242-1770
Exchange: 634-6525 to 29

R. S. LIM & COMPANY, INC.
1509 Galvani Street, Makati City
Office: 843-4313; 844-7235; 844-2245
Exchange: 891-9660 to 66

RCBC SECURITIES, INC.
7/F Yuchengco Tower, RCBC Plaza
6819 Ayala Avenue, Makati City
Office:
Trunk line: 848-5183 to 87
Exchange: 845-2641

REGINA CAPITAL DEVELOPMENT CORPORATION
8/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 848-5482 to 84
Exchange: 891-9413; 891-9415 to 17

RTG & COMPANY, INC.
6/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 891-9480 to 84
Exchange: 891-9480 to 84

S. J. ROXAS & COMPANY, INC.
6/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 848-5065 to 69
Exchange: 891-9708 to 09; 891-9714 to 16; 891-9439

SARANGANI SECURITIES, INC.
5/F, APMC Building 136 Amorsolo cor.
Gamboa Streets, Legaspi Village,
Makati City
Office: 817-5806; 840-4504; 817-5834
Exchange: 891-9176 to 79

SB EQUITIES, INC.
18/F, Security Bank Centre
6776 Ayala Avenue, Makati City
Office: 891-1243/57/58/78
Exchange: 891-9677; 891-9686 to 87

SECURITIES SPECIALISTS, INC.
Casa Blanca, 1447 M. Adriatico St.,
Ermita, Manila
Office: 523-5595; 523-8251 loc. 751 & 762
Exchange: 891-9701 to 03

SINCERE SECURITIES CORPORATION
12/F, East Tower – PSE Centre Exchange
Road, Ortigas Center Pasig City
Office: 638-3549 to 50
Exchange: 634-6664; 634-6668

SOLAR SECURITIES, INC.
30/F, East Tower – PSE Centre
Exchange Road, Ortigas Center
Pasig City
Office: 636-6302
Exchange: 636-6302; 634-6869; 634-6878

STANDARD SECURITIES CORPORATION
34 Jefferson Street, West Greenhills,
San Juan, M. Mla.
Office: 725-3905; 721-5887
Exchange: 891-9760 to 61; 891-9764 to 65

STRATEGIC EQUITIES CORPORATION
6/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 848-5159
Exchange: 891-9620 to 21

SUMMIT SECURITIES, INC.
21/F, East Tower – PSE Centre
Exchange Road, Ortigas Center
Pasig City
Office: 631-1032 to 37
Exchange: 631-1032 to 37

SUPREME STOCKBROKER, INC.
10/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 891-9405 to 07
Exchange: 891-9401; 891-9403

TANSENGCO & COMPANY, INC.
Room 208 Padilla delos Reyes Bldg.
232 Juan Luna Street, Binondo, Manila
Office: 241-6887
Exchange: 634-6675 & 85; 633-1310; 634-8230

THE FIRST RESOURCES MANAGEMENT & SECURITIES CORPORATION
8/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 848-6311 to 18
Exchange: 848-6311 to 18

THING ON SECURITIES LTD. PHILIPPINES, INC.
1136 Soler Street, Binondo, Manila
Office: 245-3093 to 95
Exchange: 636-5793 to 97

TOWER SECURITIES, INC.
18/F, East Tower–PSE Centre
Exchange Road, Ortigas Center
Pasig City
Office: 635-4448 to 49; 635-4144; 634-6726
Exchange: 634-5148; 638-3847 638-3850; 633-9411

TRANS-ASIA SECURITIES, INC.
Room 601-S State Centre Building
333 Juan Luna Street,
Binondo, Manila
Office: 242-2823; 242-3031; 242-1031
Exchange: 634-5725 to 27; 634-5752 to 54

TRI-STATE SECURITIES, INC.
10/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 848-5044 to 47
Exchange: 891-9361 to 64

TRITON SECURITIES CORPORATION
26/F, LKG Tower 6801 Ayala Avenue,
Makati City
Office: 884-2081 to 83
Exchange: 635-5531 to 35

UBS SECURITIES PHILIPPINES, INC.
19/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: General 754-8888
Exchange: 891-8588; 891-8589

UCPB SECURITIES, INC.
5/F, UCPB Building Makati Avenue,
Makati City
Office: 811-9000
Exchange: 891-9735 to 37

UNICAPITAL SECURITIES, INC.
4/F, Majalco Building Trasierra cor.
Benavidez Streets, Legaspi Village,
Makati City
Office: 812-2589; 892-0991
Exchange: 891-9622; 891-9624

UOB-KAY HIAN SECURITIES (PHILIPPINES), INC.
Unit 404 Locsin Building Ayala cor.
Makati Avenue, Makati City
Office: 887-7972
Exchange: 891-9526 to 27

UPCC SECURITIES CORPORATION
12/F Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 891-8512; 891-8514; 891-8519
Exchange: 891-8512; 891-8514; 891-8519

VENTURE SECURITIES, INC.
7th Floor, Phil. First Building
6764 Ayala Avenue, Makati City
Office: 848-6505; 887-8447 Local nos. 7011/7012/7016
Exchange: 891-9420 to 22

VICSAL SECURITIES & STOCK BROKERAGE, INC.
658 Carlos Palanca Street,
Quiapo, Manila
Office: 734-9771 to 75 loc. 114; 734-9526
Exchange: 891-9710 to 13

WEALTH SECURITIES, INC.
21/F, East Tower – PSE Centre
Exchange Road, Ortigas Center
Pasig City
Office: 634-5038 to 42; 637-3048 to 50
Exchange: 634-6222; 634-6225 to 29

WESTLINK GLOBAL EQUITIES, INC.
6/F, Tower One & Exchange Plaza
Ayala Avenue cor. Paseo de Roxas,
Makati City
Office: 848-6231; 848-6246
Exchange: 891-9380 to 83

WONG SECURITIES CORPORATION
205 Captain Roja Street, Addition Hills,
San Juan, M. Mla.
Office: 723-8912
Exchange: 634-5735 to 37

YAO & ZIALCITA, INC.
5H Vernida I Condominium
120 Amorsolo Street, Legaspi Village,
Makati City
Office: 813-3496; 892-5936; 894-0553 to 55
Exchange: 634-6284; 634-6286; 634-6946

YU & COMPANY, INC.
16/F, East Tower – PSE Centre
Exchange Road, Ortigas Center
Pasig City
Office: 634-6611 & 18; 634-7577
Exchange: 634-6248 to 50

Report of Independent Auditors

The Stockholders and the Board of Directors
The Philippine Stock Exchange, Inc.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

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, 2005 and 2004, 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, 2005 and 2004, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Philippines.

SYCIP GORRES VELAYO & CO.

Amelia B. Cabal

Amelia B. Cabal
Partner
CPA Certificate No. 15534
SEC Accreditation No. 0068-A
Tax Identification No. 105-342-543
PTR No. 4180815, January 2, 2006, Makati City

February 22, 2006

Corporate Information

Annual Meeting

The annual meeting of stockholders will be held on April 8, 2006, Saturday, 7:30 a.m. at the Trading Floor, 2nd Floor, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

Corporate Offices

Principal Office:

Philippine Stock Exchange Centre
Exchange Road, Ortigas Center, Pasig City
1605 Philippines
Tel. No.: (632) 688-7600
Fax No.: (632) 634-5113

Philippine Stock Exchange Plaza
Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City
1226 Philippines
Tel. No.: (632) 819-4100
Fax No.: (632) 891-9004

Website: www.pse.com.ph

External Counsels

Zamora Poblador Vasquez and Bretaña Law Offices
5th Floor, Montepino Building,
138 Amorsolo St., Legaspi Village, Makati City

Quasha, Ancheta Peña and Nolasco Law Offices
114 Amorsolo St., Legaspi Village, Makati City

Roco Kapunan Migallos Perez and Luna Law Offices
16th Floor Strata 2000 Building,
Emerald Avenue, Ortigas Center Pasig City

Tan and Venturanza Law Offices
2704 East Tower, Philippine Stock Exchange Centre,
Exchange Road, Ortigas Center, Pasig City

External Auditor

SyCip Gorres Velayo & Co.
SGV Building
6760 Ayala Avenue
Makati City, Philippines

Internal Auditor

Isla Lipana & Co.
29th Floor Philamlife Tower,
8767 Paseo de Roxas
P.O. Box 2288, Makati City
1226, Philippines

Stock Transfer Agent

Rizal Commercial Banking Corp.
Trust and Investments Division
RCBC Head Office
Yuchengco Tower, RCBC Plaza
6819 Ayala Avenue
Makati City, Philippines

For inquiries, please contact:

Public and Investor Relations Section
The Philippine Stock Exchange, Inc.
Tel. No.: (632) 688-7600
E-mail : pirs@pse.com.ph