

PHILEQUITY MONEY MARKET FUND, INC.  
*(An Open-End Mutual Fund Company)*

Financial Statements  
December 31, 2003 and 2002 and  
Years Ended December 31, 2003, 2002 and 2001

and

Report of Independent Auditors

# COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

(Business Address: No. Street City/Town/Province)

**Violeta O. Luym**  
(Contact Person)

**635-6963**  
(Company Telephone Number)



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*Month*      *Day*  
 (Fiscal Year)

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(Form Type)


  
*Month*      *Day*  
 (Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

8

Total No. of Stockholders

A diagram showing a large rectangle labeled "Total Amount of Borrowings" at the top. Below it, the rectangle is divided into two smaller, side-by-side rectangles. The left rectangle is labeled "Domestic" and the right rectangle is labeled "Foreign".

To be accomplished by SEC Personnel concerned

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**Report of Independent Auditors**

The Stockholders and the Board of Directors  
Philequity Money Market Fund, Inc.  
2103-B, East Tower, Philippine Stock Exchange Centre  
Exchange Road, Ortigas Center  
Pasig City

We have audited the accompanying statements of assets and liabilities of Philequity Money Market Fund, Inc. (an open-end mutual fund company) as of December 31, 2003 and 2002, and the related statements of operations, changes in net assets and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Fund'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 Philequity Money Market Fund, Inc. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the Philippines.

J. J. M. SEBASTIAN

Partner

CPA Certificate No. 61687

SEC Accreditation No. 0097-A

Tax Identification No. 104-597-500

PTR No. 7012885

January 5, 2004

Makati City

February 4, 2004

## **Report of Independent Auditors**

The Stockholders and the Board of Directors  
Philequity Money Market Fund, Inc.

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PTR No. 7012885  
January 5, 2004  
Makati City

February 4, 2004

**PHILEQUITY MONEY MARKET FUND, INC.****(An Open-End Mutual Fund Company)****STATEMENTS OF ASSETS AND LIABILITIES**

	<b>December 31</b>	
	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Cash and Cash Equivalents (Note 3)</b>	<b>₱37,367,147</b>	<b>₱35,203,441</b>
<b>Interest Receivable</b>	<b>136,811</b>	<b>48,143</b>
<b>Deferred Tax Assets - net (Note 5)</b>	<b>—</b>	<b>—</b>
	<b>37,503,958</b>	<b>35,251,584</b>
<b>LIABILITY</b>		
<b>Accrued Expense</b>	<b>30,000</b>	<b>60,000</b>
<b>NET ASSETS (Note 4)</b>	<b>₱37,473,958</b>	<b>₱35,191,584</b>

*See accompanying Notes to Financial Statements.*

**PHILEQUITY MONEY MARKET FUND, INC.**  
**(An Open-End Mutual Fund Company)**

**STATEMENTS OF OPERATIONS**

	<b>Years Ended December 31</b>		
	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>INVESTMENT INCOME</b>			
Interest income	<b>₱2,431,705</b>	<b>₱2,089,214</b>	<b>₱3,120,289</b>
<b>EXPENSES</b>			
Taxes and licenses	<b>111,479</b>	31,754	22,763
Professional fees	<b>30,000</b>	30,000	169,478
Printing and reproduction costs	—	10,750	—
Preoperating and organization costs	—	—	520,711
Others	<b>7,852</b>	295	1,092
	<b>149,331</b>	72,799	714,044
<b>NET INVESTMENT INCOME</b> (Notes 4 and 5)	<b>₱2,282,374</b>	<b>₱2,016,415</b>	<b>₱2,406,245</b>

*See accompanying Notes to Financial Statements.*

**PHILEQUITY MONEY MARKET FUND, INC.**  
**(An Open-End Mutual Fund Company)**

**STATEMENTS OF CHANGES IN NET ASSETS**

	Years Ended December 31		
	2003	2002	2001
<b>FROM INVESTING ACTIVITY</b>			
Net investment income (Note 4)	<b>₱2,282,374</b>	<b>₱2,016,415</b>	<b>₱2,406,245</b>
<b>FROM CAPITAL STOCK TRANSACTIONS</b>			
Proceeds from subscriptions of capital stock - 8,749,998 shares in 2003	<b>12,659,497</b>	—	—
Payments for redemptions of capital stock - 8,749,998 shares in 2003	<b>(12,659,497)</b>	—	—
Net change in net assets from capital stock transactions	—	—	—
<b>NET INCREASE IN NET ASSETS</b>	<b>2,282,374</b>	<b>2,016,415</b>	<b>2,406,245</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>35,191,584</b>	<b>33,175,169</b>	<b>30,768,924</b>
<b>NET ASSETS AT END OF YEAR (Note 4)</b>	<b>₱37,473,958</b>	<b>₱35,191,584</b>	<b>₱33,175,169</b>

*See accompanying Notes to Financial Statements.*

**PHILEQUITY MONEY MARKET FUND, INC.**  
**(An Open-End Mutual Fund Company)**

**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>		
	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investment income	<b>₱2,282,374</b>	₱2,016,415	₱2,406,245
Decrease (increase) in:			
Interest receivable	<b>(88,668)</b>	143,241	61,906
Other assets	—	—	580,711
Increase (decrease) in accrued expenses	<b>(30,000)</b>	(80,296)	80,296
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,163,706</b>	2,079,360	3,129,158
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>35,203,441</b>	33,124,081	29,994,923
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)</b>	<b>₱37,367,147</b>	₱35,203,441	₱33,124,081

*See accompanying Notes to Financial Statements.*



**PHILEQUITY MONEY MARKET FUND, INC.**  
**(An Open-End Mutual Fund Company)**

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**NOTES TO FINANCIAL STATEMENTS**

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**1. Corporate Information**

Philequity Money Market Fund, Inc. (the Fund) is incorporated in the Philippines. It was registered with the Securities and Exchange Commission on February 24, 1999 as an open-end mutual fund company. The Fund is engaged, among others, in selling its capital stock and investing the proceeds of which in high-yield debt instruments.

The Fund did not employ any personnel in 2003 and 2002. The Fund's administrative and accounting functions are undertaken by Philequity Management, Inc. (PMI) without any charge. The registered office address of the Fund is 2103-B, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

The financial statements of the Fund for the year ended December 31, 2003 were authorized for issue by the Board of Directors on February 4, 2004.

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**2. Summary of Significant Accounting Policies**

Basis of Preparation

The accompanying financial statements of the Fund have been prepared in conformity with accounting principles generally accepted in the Philippines under the historical cost convention.

Changes in Accounting Policies

On January 1, 2003, the Fund adopted the following Statements of Financial Accounting Standards (SFAS)/International Accounting Standards (IAS):

- SFAS 10/IAS 10, "Events After the Balance Sheet Date," which prescribes the accounting policies and disclosures related to adjusting and non-adjusting subsequent events. Additional disclosures required by the standard were included in the financial statements, principally the date of authorization for the release of the financial statements.
- SFAS 37/IAS 37, "Provisions, Contingent Liabilities and Contingent Assets," which provides the criteria for the recognition and bases for measurement of provisions, contingent liabilities and contingent assets. It also specifies the disclosure that should be included with respect to these items. Adoption of the standard has no effect on the Fund's financial statements.

Cash and Cash Equivalents

Cash consists of cash in bank. 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 change in value.

Interest Income

Interest income from short-term deposits of cash is recognized on a time proportion basis taking into account the effective yield of the asset.

#### Net Asset Value Per Share

Net asset value per share is computed by dividing net assets (total assets less total liabilities) by the total number of shares issued and outstanding.

#### Capital Stock Transactions

Sales of Fund shares are recorded by crediting capital stock at par and additional paid-in capital for the amount in excess of the par value. Redemptions are recorded by debiting those accounts and retained earnings for any excess of the redemption cost over the original selling price.

#### Income Tax

Deferred income tax is provided using the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to: (a) temporary differences between the financial reporting bases of assets and liabilities and their related tax bases; and (b) net operating loss carryover (NOLCO). Deferred tax assets and liabilities are measured using the tax rate applicable to taxable income in the years in which those temporary differences are expected to be recovered or settled and NOLCO is expected to be applied. A valuation allowance is provided for deferred tax assets when it is more likely than not that some or all of the deferred tax assets will not be realized in the future.

#### Subsequent Events

Post year-end events that provide additional information about the Fund's position at the 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 financial statements when material.

#### New Accounting Standard Effective Subsequent to 2003

The Accounting Standards Council has approved SFAS 12/IAS 12, "Income Taxes," which prescribes the accounting treatment for current and deferred income taxes. It requires the recognition of a deferred tax liability and, subject to certain conditions, asset for all temporary differences with certain exceptions. The standard provides for the recognition of a deferred tax asset when it is probable that taxable income will be available against which the deferred tax asset can be used. It also provides for the recognition of deferred tax liability with respect to asset revaluations. The Fund will adopt the standard in 2004 and, based on current circumstances, believes that the effect of adoption will not be material.

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### 3. Cash and Cash Equivalents

This account consists of:

	2003	2002
Cash in bank	<b>₱55,048</b>	₱34,359
Short-term deposits	<b>37,312,099</b>	35,169,082
	<b>₱37,367,147</b>	<b>₱35,203,441</b>

Cash in bank earns interest at the respective bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Fund, and earn interest at the respective short-term deposit rates.

#### 4. Net Assets

This account consists of:

	2003		2002		2001	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Capital stock - ₱1 par value						
Authorized	100,000,000	₱100,000,000	100,000,000	₱100,000,000	100,000,000	₱100,000,000
Issued:						
Balance at beginning of year	25,000,000	₱25,000,000	25,000,000	₱25,000,000	25,000,000	₱25,000,000
Issuance	8,749,998	8,749,998	—	—	—	—
Redemption	(8,749,998)	(8,749,998)	—	—	—	—
Balance at end of year	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
Additional paid-in capital:						
Issuance in excess of par value		3,909,499		—		—
Retained earnings:						
Balance at beginning of year		10,191,584		8,175,169		5,768,924
Net investment income		2,282,374		2,016,415		2,406,245
Excess of the redemption cost over the original selling price		(3,909,499)		—		—
		8,564,459		10,191,584		8,175,169
		₱37,473,958		₱35,191,584		₱33,175,169
Net asset value per share		₱1.499		₱1.408		₱1.327

As an open-end mutual fund company, the Fund stands ready at any time to redeem the outstanding capital stock at net asset value per share.

#### 5. Income Tax

There is no provision for income tax in 2003, 2002 and 2001 since interest income have already been subjected to final tax.

The carryforward benefits of the NOLCO were set up as deferred tax assets. A corresponding valuation allowance has been established since management believes that it is more likely than not that the carryforward benefits of NOLCO will not be realized prior to their expiration.

As of December 31, 2003, the NOLCO that can be claimed as deduction from normal taxable income follows:

Year Incurred	Expiry Year	Amount
2001	2004	₱714,044
2002	2005	72,799
2003	2006	149,331
		₱936,174

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**6. Management and Distribution Agreement**

The Fund has an existing management and distribution agreement (Agreement) with PMI. Pursuant to the terms of the Agreement, the Fund shall pay the following for services rendered by PMI.

- a. Annual management fee of a maximum of 1.5% of the monthly average net asset value of the Fund's asset. The net asset value shall be determined in accordance with the procedures agreed upon by both parties.
- b. Sales commission of a maximum of 3.5% of the cost of investment for every sale of the Fund's shares of stocks.