

PHILEQUITY DOLLAR INCOME FUND, INC.
(An Open-end Mutual Fund Company)

Financial Statements
December 31, 2002 and 2001

and

Report of Independent Auditors

SEC Number A1998-16216

File Number _____

PHILEQUITY DOLLAR INCOME FUND, INC.

AN OPEN-END MUTUAL FUND COMPANY

(Company's Full Name)

**2103-B, East Tower
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center, Pasig City**

(Company's Address)

635-6963

(Telephone Number)

December 31

(Year Ending)
(month & day)

Annual Audited Financial Statements

Form Type

Amendment Designation (If applicable)

December 31, 2002

Period Ended Date

(Secondary License Type and File Number)

Report of Independent Auditors

The Stockholders and the Board of Directors
Philequity Dollar Income 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 Dollar Income Fund, Inc., (an open-end mutual fund company), as of December 31, 2002 and 2001, and the related statements of changes in net assets and cash flows for the years then ended. 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.

As mentioned in Note 1 to the financial statements, the Fund was registered with the Securities and Exchange Commission on March 4, 1999 and has not yet started commercial operations as of December 31, 2002.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Philequity Dollar Income Fund, Inc. as of December 31, 2002 and 2001, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Philippines.

J. J. M. SEBASTIAN

Partner

CPA Certificate No. 61687

Tax Identification No. 104-597-500

PTR No. 7612883

January 2, 2003

Makati City

March 7, 2003

Report of Independent Auditors

The Stockholders and the Board of Directors
Philequity Dollar Income Fund, Inc.

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PTR No. 7612883
January 2, 2003
Makati City

March 7, 2003

PHILEQUITY DOLLAR INCOME FUND, INC.**(An Open-end Mutual Fund Company)****STATEMENTS OF ASSETS AND LIABILITIES**

	December 31	
	2002	2001
ASSETS		
Investments in Dollar Bond (Note 3)	₱30,165,606	₱—
Cash and Cash Equivalents (Note 4)	3,411,007	32,649,261
Interest Receivable - Current	1,031,063	77,317
	₱34,607,676	₱32,726,578
LIABILITIES		
Accounts Payable and Accrued Expenses	₱60,000	₱135,101
NET ASSETS (Note 5)	₱34,547,676	₱32,591,477
Net Asset Value Per Share	₱1.38	₱1.30

See accompanying Notes to Financial Statements.

PHILEQUITY DOLLAR INCOME FUND, INC.

(An Open-end Mutual Fund Company)

STATEMENTS OF CHANGES IN NET ASSETS

	Years Ended December 31	
	2002	2001
FROM INVESTING ACTIVITIES		
Interest income - net	₱1,956,199	₱1,862,158
NET ASSETS AT BEGINNING OF YEAR	32,591,477	30,729,319
NET ASSETS AT END OF YEAR	₱34,547,676	₱32,591,477

See accompanying Notes to Financial Statements.

PHILEQUITY DOLLAR INCOME FUND, INC.**(An Open-end Mutual Fund Company)****STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2002	2001
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income - net	₱1,956,199	₱1,862,158
Unrealized foreign exchange loss	190,796	229,275
Decrease (increase) in:		
Investments in dollar bond	(30,356,402)	–
Interest receivable	(953,746)	175,314
Organization costs	–	580,711
Increase (decrease) in accounts payable and accrued expenses	(75,101)	75,101
Net cash provided by (used in) investing activities	(29,238,254)	2,922,559
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	–	(229,275)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(29,238,254)	2,693,284
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	32,649,261	29,955,977
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱3,411,007	₱32,649,261

See accompanying Notes to Financial Statements.

PHILEQUITY DOLLAR INCOME FUND, INC.

(An Open-end Mutual Fund Company)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Philequity Dollar Income Fund, Inc. (the Fund) is incorporated in the Philippines. It was registered with the Securities and Exchange Commission (SEC) on March 4, 1999 as an open-end mutual fund company, the purposes of which are, among others, to engage in the sale of its capital stock and to invest such proceeds in dollar-denominated bonds and debt securities.

The registered office address of the Fund is 2013-B, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City. The Fund did not employ any personnel as of December 31, 2002 and 2001. Administrative functions are outsourced from Philequity Management, Inc.

On March 5, 1999, the Fund's Board of Directors approved the registration of the Fund's 100,000,000 shares with the SEC. The application for registration was approved by the SEC on October 25, 2001.

The Fund has not yet started commercial operations as of December 31, 2002.

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in preparing the financial statements of the Fund are as follows:

Basis of Preparation

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

Adoption of New Statement of Financial Accounting Standards (SFAS)/ International Accounting Standards (IAS)

The Fund adopted SFAS 24/ IAS 24, "Related Party Disclosures," which became effective on January 1, 2002.

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

New Accounting Standards Effective Subsequent to 2002

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

- SFAS 10/IAS 10, "Events After the Balance Sheet Date," which prescribes the accounting and disclosure related to adjusting and non-adjusting subsequent events. The Fund will adopt SFAS 10/IAS 10 in 2003.
- SFAS 37/IAS 37, "Provisions, Contingent Liabilities and Contingent Assets," which provides the criteria for the recognition and bases for measurement of provisions, contingent liabilities and contingent assets. It also specifies the disclosures that should be included with respect to these items. The Fund will adopt SFAS 37/IAS 37 in 2003.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. 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.

Investments in Dollar Bond

Investments in dollar bond are stated at cost, gross of unamortized bond discount.

Interest Income

Interest income from short-term deposits 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 by the total number of shares issued and outstanding.

Foreign Currency Translation

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the exchange rate at the balance sheet date. All differences are offset against interest income.

3. Investments in Dollar Bond

Investments in dollar bond are gross of unamortized bond discount of ₱693,981. As of December 31, 2002, its market value exceeded cost by ₱2.6 million.

4. Cash and Cash Equivalents

This account consists of:

	2002	2001
Cash in banks	₱105,701	₱107,442
Short-term deposits	3,305,306	32,541,819

₱3,411,007	₱32,649,261
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Cash in banks earns interest at the prevailing 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 prevailing short-term deposits rates.

In 2001, short-term deposits consist of dollar-denominated cash placements with a local bank amounting to US\$616,217.

5. Net Assets

This account consists of:

	2002	2001
Capital stock - ₱1 par value		
Authorized - 100,000,000 shares		
Issued - 25,000,000 shares	₱25,000,000	₱25,000,000
Retained earnings:		
Balance at beginning of year	7,591,477	5,729,319
Interest income - net	1,956,199	1,862,158
Balance at end of year	9,547,676	7,591,477
	₱34,547,676	₱32,591,477

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.