SOLID GROUP INC.

Annual Report 2003

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SOLID GROUP ANNUAL REPORT 2003

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MESSAGE TO STOCKHOLDERS

We have taken decisive steps forward to take SGI and its stockholders into the future. To do this, we have focused on reorganizing current businesses to pursue new market opportunities that offer growth potential in the difficult Philippine environment. Two new business segments are expected to deliver major revenue growth: Broadband Data Services and Targeted Real Estate Development.

In 2003, we concluded the acquisition of Destiny's broadband cable network infrastructure that covers most of Metropolitan Manila. Designed to deliver both cable television services and recreational grade Internet access service, the broadband network is being built up by its management team, led by its Chief Operating Officer Mr. James Uy, to acquire a major share of the upscale consumer Internet market. To strengthen its cable television service business, we will support the marketing and sales effort of our corporate affiliate for cable television services - Global Destiny, to increase the number of subscribers utilizing the infrastructure.

The broadband management team has also embarked on a major effort to extend the reach of its broadband cable Internet services to a wider market with the introduction of tiered Internet services that will attract the larger market of high value dial-up Internet users. It is supporting a marketing effort with media promotions and a network upgrade program that will further enhance consumer enjoyment of the services. This combined approach of aggressive marketing and network upgrade is designed to provide the platform for a projected steady EBITDA growth and net income improvement over the next two years.

SGI will begin the construction of its first high-rise residential building in a prime location in the heart of Metro Manila by the second half of 2004. Projected revenues for this multiple tower development project is expected to generate over P 500 Million in sales over a two-year period. This is part of SGI's long-term strategy to maximize the value of selected real estate holdings by attracting niche markets while avoiding excessive capital expenditure exposure. Based on initial business studies and surveys, other projects are already under consideration.

Our consumer electronics business has migrated from manufacturing and wholesale distribution to support services such as after sales service and logistics, as well as specialized marketing (broadcast equipment) and consumer financing. We will continue to pursue improved revenue and income through enhanced customer care and total quality service.

We are committed to building the SGI investments into new long-term growth businesses that will deliver products and services that will enrich the lives of our customers and fulfill our social responsibility while building the platform for consistent growth for shareholder value.

Thank you for your continuing support for our efforts to bring SGI and you, our stockholders, into the future of new emerging businesses.

David S. Lim
Director, President and
Chief Executive Officer

Review of Operations

Management Discussion

I. BROADBAND SERVICES

James Uy, COO (center) with Destiny Inc. MANCOM

The completion of the acquisition of Destiny Inc. was the major investment of SGI for the year 2003 that capped its decisive entry into the broadband service market principally in Metro Manila. A total of almost P 1.2 Billion was invested in Destiny's infrastructure and operations, which has fiber optic cables rolled out and spread across the major cities in Metro Manila. Several hubs are strategically positioned in key Areas to provide greater data and Internet Access service to customers.

Destiny Inc. is the first company to provide broadband cable internet access services in the Philippines. With its extensive cable infrastructure coverage of the major cities in Metro Manila, it has brought cable television and cable internet access into thousands of Filipino homes. Its growth strategy is based on providing consumers as well as corporate users with high-end Internet access service quality levels at cost-effective rates. It also projects to generate additional revenues from data transport and video carriage services to be used by third party service providers such as Global Destiny Cable and Bell Telecoms.

Due to the significant growth in data traffic, DI has upgraded to an STM-1 (155 MB) International Private Line (IPL) connection from the previous DS-3 level to meet increasing subscriber demand. With this major upgrade, Destiny Internet has improved its international internet access and downloads burst speeds that are significantly superior to ordinary dial-up providers.

At this early stage of business development, Internet and data services have incurred a negative EBITDA of P 67 Million. In addition to this, it also booked substantial non-cash expenses such as the asset impairment loss provision of P 350 Million and depreciation expense of P 100 Million. These expenses comprised the bulk of the broadband operation's losses, which, in turn, added substantial losses to SGI's financial performance.

More aggressive marketing efforts, including media promotions, will be conducted in 2004 to promote the new services and affordable price tiers to appeal to a wider market base of high value dial-up internet users to maximize utilization of the infrastructure and increase revenue generation. However, the projected growth rate of earnings will be paced alongside continuous capital investment for network upgrades and operations reorganization. The broadband business segment is expected to achieve a positive EBITDA after the two-year upgrade and reorganization program.

II. REAL ESTATE

Solid Manila Corporation (SMC) and subsidiaries reported gross revenues of P 111.8 Million in 2003. This is made up of lease revenues as well as service income.

For 2004, management is focusing on building up the real estate business to maximize its revenue-generating potential. Initial business case studies are being made to determine the company's possible investments in the development of several SGI prime properties for commercial and residential use. One of the first projects of SMC for the year is the construction of a high rise condominium tower in Ermita, Manila among others which is expected to generate up to P 500 Million in sales over a two-year period.

III. INVESTMENTS

Solid Group Inc. (Parent Company) reported a net income of P 73.5 Million for 2003. The significant improvement in income was due to higher yields of several fund investments in bonds and treasury bills. Profitable investments in foreign currency denominated bonds were facilitated by the acquisition of Brilliant Reach Ltd., an offshore investment company, to handle investments in foreign currency denominated bonds.

Solid Manila Finance Inc. (SMFI) experienced a significant improvement in performance for 2003, posting gross revenues amounting to P 19.7 Million. Lending activities contributed the bulk of SMFI's net income for the year.

IV. CONSUMER ELECTRONICS & SERVICES

After Sales Service & Marketing

Combined after sales service operations from Solid Electronics Corporation (SEC) and Solid Electronics Services Inc. (SESI) (which is the only recognized authorized Service Network for Sony and Aiwa in the country) resulted in total revenues of P 191 Million for 2003. Through an aggressive field service campaign, it expanded consumer reach particularly for large and high value products. Operations efficiency was improved by streamlining its organizational structure, resulting in an income of P 7.1 Million in 2003 from P 5.1 Million in the previous year.

Solid Video Corporation (SVC) experienced an increase in income attributed to higher level of indent sales of professional equipment such as data projectors and peripherals to major television networks. Maintenance services and parts for broadcast equipment also contributed over P 12 Million to the company's revenue. The company reported a net income of P 36.8 Million for the year, inclusive of some non-recurring other income generated from the recovery of doubtful accounts and warranty provision.

Solid Distributors Inc. (SDI), the distributor of the AIWA brand in the Philippines ceased its operations as of June 30 2003 and turned over its business to Sony Philippines Inc. as part of Sony's worldwide restructuring strategy. By December of 2003, SDI was merged with Solid Manila Corporation with the latter being the surviving entity. Residual revenues from SDI were reported at P 123.8 Million.

Manufacturing & Logistics Services

Solid Laguna Corporation (SLC), engaged in plastic molding reported a 20% growth in gross revenues amounting to P 120.3 Million in 2003. This is attributed to bigger sales orders from key accounts such as San Miguel Corporation and K & K.

Meanwhile, Omni Logistics Corporation (OLC) posted total revenues of P 92.4 Million from P 35.3 Million the previous year. The increase in gross revenues is attributed to new services rendered, particularly color television assembly subcontracting for the TCL brand, aside from logistics and warehousing.

Clark Plastics Manufacturing Corporation (CPM) managed to reduce its loss by 84% from the previous year through the disposal of underutilized equipment. It is continuously exerting effort towards improving capacity utilization for the coming year.

V. DISCONTINUING OPERATIONS

Discontinuing Operations resulted to a net income of P 18 Million for 2003. The closure and discontinuance of the businesses of Kita contributed some residual net income from principally non-recurring transactions such as sale of fixed assets.

BOARD OF DIRECTORS AND CORPORATE OFFICERS

George R. Tan
Director

Elena S. Lim
Director,
Chairman Emeritus

Jason S. Lim
Director, Sr. Vice President
and
Chief Operating Officer

Vincent S. Lim
Director, Sr. Vice President
and
Chief Financial Officer

Quintin Chua
Director

(Washington Z. SyCip)
Director
replaced by
Edgardo L. Tordesillas
Director

David S. Lim
Director, President and
Chief Executive Officer

Susan L. Tan
Director,
Chairman of the
Board

Ireneo D. Tubio
Chief Accounting Officer

Beda T. Manalac
Vice President for
Corporate Planning and
Business Development

Enrique L. Ligeralde
Sr. Vice President for
Corporate Administration
and Control

Lita Joaquin
Treasurer

Roberto V. San Jose
Corporate Secretary

SOLID GROUP INC. AND SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Solid Group Inc. is responsible for all information and representation contained in the financial statements for the years ended December 31, 2003, 2002 and 2001. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philipppines and reflects amounts that are based on the best estimates and informed judgement of management with an appropriate consideration to materiality.

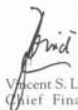
In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's 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 weaknesses 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 statements before such statements are approved and submitted to the stockholders of the Company.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

David S. Lim
President and Chief Executive Officer

Susan L. Tan
Chairman of the Board



Vincent S. Lim
Chief Financial Officer

SOLID GROUP INC. AND SUBSIDIARIES

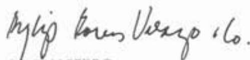
REPORT OF INDEPENDENT AUDITORS

The Stockholders and the Board of Directors
Solid Group Inc.
Solid House
2285 Don Chino Roces Avenue Extension
Makati City

We have audited the accompanying consolidated balance sheets of Solid Group Inc. and Subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company'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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Solid Group Inc. and Subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their 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.



G.J. SAN PEDRO
Partner
CPA Certificate No. 32614
SEC Accreditation No. 0094-A
Tax Identification No. 102-096-610
PTR No. 7012882
January 5, 2004
Makati City
May 5, 2004

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

		Years Ended December 31	
	2003	2002 (As restated - see Notes 2 and 7)	2001 (As restated - see Notes 2 and 7)
CAPITAL STOCK			
Balance at beginning of year	**P2,030,975,000**	P2,030,975,000	P2,030,975,000
Uniting of interest adjustment (Notes 1, 7 and 12)	—	100,000,000	100,000,000
Issuances during the year (Notes 1, 7 and 12)	**224,461,752**	—	—
Balance at end of year	**2,255,436,752**	2,130,975,000	2,130,975,000
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year	**4,589,076,596**	4,589,076,596	4,589,076,596
Uniting of interest adjustment (Notes 1 and 7)	**75,826,336**	932,064,077	1,269,706,382
Balance at end of year	**4,664,902,932**	5,521,140,673	5,858,782,978
RETAINED EARNINGS (DEFICIT) (Note 12)			
Balance at beginning of year, as previously reported	**(42,616,817)**	123,423,235	935,376,585
Effect of change in accounting for pre-operating expenses (Note 2)	**(19,949,150)**	(16,290,038)	(271,284)
Balance at beginning of year, as restated	**(62,565,967)**	107,133,197	935,105,301
Uniting of interest adjustment (Notes 1 and 7)	**(42,434,895)**	35,230,482	(116,141,187)
Net Loss	**(298,543,763)**	(247,402,152)	(1,014,205,129)
Balance at end of year	**(403,544,625)**	(105,038,473)	(195,241,015)
TREASURY SHARES (Note 12)			
Balance at beginning of year	**(115,614,380)**	(114,830,162)	(96,448,501)
Treasury shares acquired during the year	—	(784,218)	(18,381,661)
Balance at end of year	**(115,614,380)**	(115,614,380)	(114,830,162)
	P6,401,180,679	P7,431,462,820	P7,679,686,801

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

	Years Ended December 31		
	2003	2002 (As restated - see Notes 2 and 7)	2001 (As restated - see Notes 2 and 7)
CONTINUING OPERATIONS			
Cash Flows from Operating Activities			
Loss from continuing operations before income tax and minority interest	(P309,297,200)	(P161,214,823)	(P296,600,022)
Adjustment for:			
Impairment loss	350,000,000	35,000,000	—
Depreciation and amortization	160,458,692	299,870,755	313,392,538
Interest income	(134,694,478)	(70,170,015)	(89,306,250)
Unrealized foreign exchange loss (gain)	(11,534,577)	(19,666,868)	4,630,568
Loss (gain) on sale/retirement of property and equipment	(5,572,863)	(1,155,223)	29,724,898
Interest expense	4,391,785	728,842	15,057,250
Provision for warranty expense	793,002	668,198	2,287,483
Operating income (loss) before working capital changes	54,544,361	84,060,866	(20,813,535)
Decrease (increase) in:			
Receivables	87,081,585	50,787,816	255,512,471
Inventories	29,121,980	309,708,605	314,835,048
Land and development costs	6,240,630	—	36,898,446
Other current assets	(24,240,795)	37,105,386	4,909,955
Increase (decrease) in:			
Accounts payable and accrued expenses	37,289,581	(57,737,563)	(193,758,802)
Estimated liability for land development cost	(12,571,405)	(2,412,921)	(22,096,053)
Net cash generated from operations	177,465,937	421,512,189	375,487,530
Cash paid during the year for income tax	(39,213,309)	(25,564,016)	(25,368,185)
Net cash provided by operating activities	138,252,628	395,948,173	350,119,345
Cash Flows from Investing Activities			
Placement in short-term investments	(613,405,396)	—	—
Decrease (increase) in investments and advances	(51,275,128)	151,193,740	225,148,502
Interest received	107,923,773	70,170,015	89,306,250
Proceeds from sale of property and equipment	79,109,912	26,592,861	10,333,346
Additions to property and equipment	(80,632,255)	(123,166,955)	(307,721,378)
Reduction in (additions to) other noncurrent assets	(335,783,176)	56,458,140	94,162,980
Net cash provided by (used in) investing activities	(P894,062,270)	P181,247,801	P111,229,700

(Forward)

CONSOLIDATED STATEMENTS OF CASH FLOW

	Years Ended December 31		
	2003	2002 (As restated - see Notes 2 and 7)	2001 (As restated - see Notes 2 and 7)
Cash Flows from Financing Activities			
Proceeds from loans payable	P291,634,490	P—	P—
Payments of:			
Long-term debt	(79,843,123)	(82,003,179)	(72,952,386)
Loans payable	—	(16,712,615)	—
Increase (decrease) from advances from related parties	71,193,409	33,288,112	(148,853,297)
Minority interest	(55,085,753)	(32,506,873)	—
Interest paid	(2,030,056)	(728,842)	(15,057,250)
Acquisition of treasury shares	—	(784,218)	(18,381,661)
Payments of dividends	—	—	(100,000,000)
Registration fee	—	—	(1,283,701)
Net cash provided by (used in) financing activities	225,868,967	(99,447,615)	(356,528,295)
Increase (Decrease) in Cash and Cash Equivalents Continuing Operations	(529,940,675)	477,748,359	104,820,750
Effect of Rate Exchange Changes on Cash and Cash Equivalents	1,978,000	—	—
	(527,962,675)	477,748,359	104,820,750
DISCONTINUING OPERATIONS (Note 18)			
Net cash provided by (used in) operating activities	17,306,962	(647,720)	(78,003,782)
Net cash provided by investing activities	1,286,148	45,152,858	699,921
Net cash used in financing activities	(15,381,848)	—	—
	3,211,262	44,505,138	(77,303,861)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(524,751,413)	522,253,497	27,516,889
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,073,127,957	1,550,874,460	1,523,357,571
CASH AND CASH EQUIVALENTS AT END OF YEAR	P1,548,376,544	P2,073,127,957	P1,550,874,460

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Solid Group Inc. (SGI or the Parent Company) and its subsidiaries (collectively, the Group), are incorporated in the Philippines. Brilliant Reach Ltd. (BRL), acquired in 2003, is incorporated in the British Virginia Islands (BVI). The Group's main business activities are in consumer electronics, real estate and broadband cable and satellite services. Other activities include financing and logistics services (see Note 22). On a consolidated basis, the number of employees was 802 and 1,110 as of December 31, 2003 and 2002, respectively. The Parent Company's registered office address is Solid House, 2285 Don Chino Roces Avenue Extension, Makati City.

The Group's core consumer electronics business has been severely affected by the intense competition from imported products as a result of import liberalization which made it more cost efficient to import complete sets than to manufacture locally. Moreover, the Group's manufacturing agreements with Sony Philippines Inc. (SPH) and Aiwa Singapore, Ltd. (Aiwa) expired and were not renewed. Thus, the Group closed the consumer electronics operations of its major subsidiaries, Solid Corporation (SC), SSEC, Inc. (SSEC) and Kita Corporation (Kita) prior to 2002 and Solid Laguna Corporation (SLC) in 2002.

To sustain operational efficiency, the Group has initiated a structural reorganization of its various subsidiaries. In 2003, Solid Manila Corporation (SMC) was merged with Solid Distributors, Inc. with SMC as the surviving company. In 2001, Solid Distributors, Inc. (SDI) was merged with Ascop, Inc. with SDI as the surviving company. In 2002, SLC was merged with Solid City Industrial and Commercial Corporation with SLC as the surviving entity.

On July 31, 2003, the Parent Company acquired 100% ownership of BRL, a BVI company. BRL will handle and manage the placement of the Group's investible funds in foreign currency fixed income financial assets, principally bonds, not exceeding 20% of such amount of funds. At the time of BRL acquisition, the offshore company had no assets and liabilities.

In May 2003, the Parent Company acquired from Destiny Cable, Inc. (DCI) in exchange for 224,461,752 of the Parent Company's shares of stock, the entire issued and outstanding shares of Destiny, Inc. (DI), a company engaged in broadband cable and satellite services, in accordance with the stockholders' approval in November 2002. The acquisition was approved by the Bureau of Internal Revenue (BIR) on May 15, 2003. A notice of exemption for the issuance of shares under the Revised Securities Act was already filed with the Securities and Exchange Commission (the Commission) on November 6, 2003. The delivery of the share certificates to DCI will be made upon the approval of the listing of these shares with the Philippine Stock Exchange (PSE). As of May 5, 2004, the Commission and the PSE have not yet approved the Parent Company's application. The acquisition was accounted similar to the uniting of interests accounting. As a result, net losses of DI prior to its acquisition by the Parent Company amounting to 33.4 million in 2003, 77.7 million in 2002 and 186.2 million in 2001 were included in the consolidated statements of income (see Note 7).

On November 5, 2003, the merger of DI and its subsidiaries, Destiny Communications Corporation (DCC), Destiny Multimedia Corporation (DMC), Destiny On-line Corporation (DOC), Omni Distribution Services, Inc. (ODSI), with Solid Broadband Corporation (SBC), a wholly owned subsidiary of SGI, was approved by their respective shareholders, with SBC as the surviving entity. The merger is pending approval by the Commission.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on May 5, 2004.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines using the historical cost basis.

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

The Group adopted the following SFAS/IAS which became effective on January 1, 2003:

- SFAS 10/IAS 10, "Events After the Balance Sheet Date," prescribes the accounting policies and disclosures related to adjusting and non-adjusting subsequent events. An additional disclosure required by the standard was included in the consolidated financial statements, relating to the date of authorization for release of the consolidated financial statements.
- SFAS 22/IAS 22, "Business Combinations," requires that an acquisition where an acquirer can be identified should be accounted for by the purchase method. Any goodwill arising from the acquisition should be amortized generally over 20 years. Adoption of the standard has no effect on the consolidated financial statements.
- SFAS 36/IAS 36, "Provisions, Contingent Liabilities and Contingent Assets," 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. Additional disclosures required by the standard, principally the change in provisions for the year (see Note 11), were included in the consolidated financial statements.
- SFAS 38/IAS 38, "Intangible Assets," establishes the criteria for the recognition and measurement of intangible assets. It also requires that expenditures on research, start-up, training, advertising and relocation be expensed as incurred. Accordingly, the Group changed the method of accounting for preoperating expenses and reversed any unamortized preoperating expenses to conform to the standard. The change in accounting policy has been accounted for retroactively and the comparative consolidated statements for 2002 and 2001 have been restated. The change decreased retained earnings by P19.9 million, P16.3 million, and P0.3 million as of January 1, 2003, 2002 and 2001, respectively. The change also increased net loss by P0.4 million, P3.7 million and P16.0 million in 2003, 2002 and 2001, respectively.

New Accounting Standards Effective Subsequent to 2003

The Accounting Standards Council has approved the following accounting standards which will be effective subsequent to 2003:

- SFAS 12/IAS 12, "Income Taxes," prescribes the accounting treatment for current and deferred income taxes. The standard requires the use of the balance sheet liability method in accounting for deferred income taxes. It requires the recognition of a deferred tax liability and, subject to certain conditions, deferred tax asset for all temporary differences with certain exceptions. The standard provides for the recognition of a deferred tax asset when it is probable that taxable income will be available against which the deferred tax asset can be used. The Group will adopt SFAS 12/IAS 12 in 2004, and, based on current circumstances, does not believe that the effect of the adoption will be material.
- SFAS 17/IAS 17, "Leases," prescribes the accounting policies and disclosures to apply to finance and operating leases. Finance leases are those that transfer substantially all risks and rewards of ownership to the lessee.

  A lessee is required to capitalize finance leases as assets and recognize the related liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The lessee should also depreciate the leased asset. On the other hand, lessees should expense operating lease payments on a straight-line basis.

  A lessor is required to record finance leases as receivables at an amount equal to the net investment in the lease. Finance income should be recognized on the basis of a constant periodic rate of return on the lessor's outstanding net investment. A manufacturer or dealer lessor should recognize selling profit or loss as income for the period in accordance with its policy for outright sales. On the other hand, a lessor should present as an asset and depreciate accordingly assets that are subject to operating leases.

  The Group will adopt SFAS 17/IAS 17 in 2004. The Group has not yet determined the financial impact of the adoption of SFAS 17/IAS 17 due to the number of leases that the Group is a party to and the assessment that need to be made as to whether these would qualify as finance leases.

Basis of Consolidation

The consolidated financial statements include the financial statements of Solid Group, Inc. and its subsidiaries as of December 31 of each year.
Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

DI and its subsidiaries were acquired by the Group from a company controlled by its major shareholder group. The acquisition, being a transaction between entities under common control, was accounted for similar to the uniting of interest accounting. The financial statement items of DI are included in the consolidated financials statements as if these have been part of the Group from the earliest date presented (see Note 7).

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and losses, are eliminated.

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.

Short-term Investments

Short-term investments include investments in commercial papers with original maturities of more than three months to one year and are stated at cost, adjusted for any loss on price decline of the investment.

Receivables

Receivables are recognized and carried at original invoice amount less allowance for any uncollectible amount. An estimate for doubtful accounts is made when collection of the full amount is no longer probable.

Inventories

Inventories are valued at the lower of cost or net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials, supplies and others	- purchase cost on a moving average method;
Finished goods, merchandise inventories and work in process	- determined on a moving average method; cost includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity

Net realizable value for finished goods and work in process is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value for raw materials and supplies is the current replacement cost.

Land and Development Costs

Land and development costs is carried at cost less any impairment in value. Cost includes the acquisition cost of the land and other expenditures for development and improvements of land necessary in bringing the land to its intended use.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	10 to 25	years
Machinery and equipment	5 to 10	years
Furniture, fixtures and office equipment	2 to 5	years
Transportation equipment	5	years
Cable system equipment	5 to 20	years
Test, communication & other equipment	5	years
Computer system	5	years
Leasehold improvements	2 to 15	years or over term of lease, whichever is shorter
Tools and equipment	2	years
Others	2	years

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

When assets are sold or retired, their cost, accumulated depreciation, amortization and impairment loss are eliminated from the accounts and any gain or loss resulting from the disposal is included in the current operations.

Construction in progress is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Asset Impairment

The carrying values of property, plant and equipment and other long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of property, plant and equipment and other long-lived assets is the greater of net selling price or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss, if any, is recognized in the consolidated statement of income.

Investment in an Associate

The Group's 33% investment in Sony Philippines, Inc. (SPH) is accounted for under the equity method of accounting. This is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group. The investment in SPH is carried in the consolidated balance sheets at cost plus post-acquisition changes in the Group's share in the net assets of SPH, less any impairment in value. The consolidated statements of income reflect the Group's share of the results of operations of the associate. Unrealized gains arising from transactions with the associate are eliminated to the extent of the Group's interest in the associate, against the investment in the associate. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment in the value of the assets transferred.

Other Investments

Other long-term investments (included as part of "Other noncurrent assets" account in the consolidated balance sheets) represent investments in shares of stock which are carried at cost less any impairment in value and investment in life insurance policy which is carried at its cash surrender value. Periodic increases in value decrease the insurance premium expense charged to current operations. Any amount in excess of the interest in the life insurance policy over the insurance premium expense is credited to income.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenues are recognized upon delivery and billing of goods to the customers.

Revenues from Sale of Land. Revenues are accounted for under the full accrual method. Under this method, gain is not recognized until the earnings process is virtually complete and collectibility of the sales price is reasonably assured. The cost of land sold is determined on the basis of the acquisition cost of the land plus its full development costs, which includes estimated cost for future development works as determined by the Group's technical staff. The cost to complete the development of the sold portion of the subdivided lots is shown under "Estimated liability for development of land sold" account in the consolidated balance sheets.

Service Income. Revenues are recognized when services are rendered. Rental income is recognized using the accrual method based on the terms of lease agreements.

Interest Income on Loans and Finance Receivables. Revenue is recognized when earned. However, in accordance with the Financing Company Act of 1998, interest income on loans receivable that remain outstanding beyond their maturity dates is recognized only upon actual collection.

Other Interest. Revenue is recognized as the interest accrues.

Retirement Costs

The Parent Company and certain subsidiaries have funded, noncontributory retirement plans, administered by a Trustee, covering their permanent employees. Retirement costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement costs include current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions over the expected average remaining working lives of the covered employees.

Leases

Operating lease payments are recognized as expense in the consolidated statements of income based on the terms of the lease agreements.

Foreign Currency Transactions and Translation

Transactions in foreign currencies are recorded using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at the balance sheet date. All differences are taken to the consolidated statements of income.

Financial statements of consolidated foreign subsidiaries that are integral to the Group's operations are translated as if the transactions of the foreign operation had been those of the Group. At each balance sheet date, foreign currency monetary items are translated using the closing rate, nonmonetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and nonmonetary items which are carried at fair value are translated using the exchange rate that existed when the values are determined. Income and expense items are translated at the exchange rates on the dates of transactions. Resulting exchange differences are recognized in the consolidated statements of income.

Income Tax

Deferred income tax is provided using the liability method. Deferred tax assets and liabilities are recognized for the: (a) future tax consequences attributable to the differences between the financial reporting bases of assets and liabilities and their related tax bases; and (b) carryforward benefits of the excess of the minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO). Deferred tax assets and liabilities are measured using the tax rate expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled and the carryforward benefits of MCIT and NOLCO are 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. Any change in the valuation allowance on deferred tax assets is included in the computation of the provision for deferred income tax for the year.

Basic Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) for the year with the weighted average number of outstanding shares during the year (as restated for uniting of interest adjustments) after giving retroactive effect to stock dividends or stock splits declared during the year, if any.

Provisions and Contingencies

Starting January 1, 2003, provisions are recognized when the Company has a present obligation (legal or constructive) 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 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 consolidated financial statements but they are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable.

Subsequent Events

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

3. Cash and Cash Equivalents

This account consists of:

	2003	2002 (as restated - Note 7)
Cash on hand and in banks	P151,208,847	P241,251,365
Short-term deposits	1,397,167,697	1,831,876,592
	P1,548,376,544	P2,073,127,957

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at short-term deposit rates.
Investments in Subsidiaries

4. Receivables

This account consists of:

	2003	2002 (as restated - Note 7)
Trade (see note 13)	P533,654,034	P555,596,278
Finance receivables - current (see Note 13)	57,289,222	72,027,502
Others	68,983,770	852,054,803
Less allowance for	659,927,026	1,479,678,583
doubtful accounts	95,183,643	122,885,941
	P564,743,383	P1,356,792,642

5. Inventories

This account consists of:

	2003	2002 (as restated - Note 7)
At net realized value:		
Finished goods and merchandise inventories (see Note 18)	P4,400,050	P45,906,929
Work in process	1,741,391	1,145,700
Raw materials	5,193,964	4,159,203
Supplies and others	7,502,456	—
At cost:		
Finished goods and merchandise inventories	6,118,247	5,199,906
Work in process	2,315,784	4,204,200
Raw materials	13,025,501	—
Supplies and others	7,325,236	16,128,671
Total inventories at lower of cost and net realizable value	47,622,629	P76,744,609

6. Other Current Assets

This account consists of:

	2003	2002 (as restated - Note 7)
Prepaid taxes	P42,757,621	P32,174,649
Prepaid expenses	15,175,438	14,583,853
Input value added tax	28,784,573	13,865,910
Deferred tax assets - net (see Note 17)	4,264,211	2,357,286
Others	5,164,487	8,923,837
	P96,146,330	P71,905,535

7. Investments and Advances

This account consists of:

	2003	2002 (as restated)
Investment in SPH, an associate - at equity	P35,000,000	P35,000,000
Acquisition cost	(35,000,000)	(35,000,000)
Accumulated equity in net losses	—	—
Advances to related parties - net (see Note 13)	226,063,238	215,034,322
	226,063,238	P215,034,322

Investments in Subsidiaries

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31 of each year, as follow.

	Percentage of Ownership		
	2003	2002	2001
AA Electronics Corporation	100	100	100
BRL	100	—	—
DI and Subsidiaries	100	100	100
Kita	100	100	100
Omni Logistics Corporation	100	100	100
SBC	100	100	100
SC and Subsidiaries	100	100	100
SEC	100	100	100
SLC	100	100	100
SMC and Subsidiaries	100	100	100
Solid Manila Finance, Inc.	100	100	100
Solid Video Corporation	100	100	100

The Subsidiaries of DI are as follows:	Percentage of Ownership
DCC	100
DMC	100
DOC	100
ODSI	100

The Subsidiaries of SC are as follows:	Percentage of Ownership
Clark Plastics Manufacturing Corporation (Clark)	100
Solid Electronics Services, Inc.	100
SSEC	67
Interstar Holdings Company, Inc.	60

The subsidiaries of SMC are as follows:	Percentage of Ownership
Skyworld Corporation	75
Starworld Corporation	50
Laguna International Industrial Park, Inc. (LIIP)	45

Acquisition of Subsidiaries

On July 31, 2003, the Parent Company acquired 100% ownership of BRL that will handle and manage the placement of the Parent Company's investible funds in foreign currency fixed income financial assets, principally bonds, not exceeding 20% of such amount of funds. At the time of BRL acquisition, the offshore company had no assets and liabilities. The net exchange difference for the year taken to the consolidated statements of income as a result of translating the financial statements of BRL, a foreign operation that is integral to the operations of the Parent Company amounted to 4.0 million in 2003.

As discussed in Note 1, in May 2003, the Parent Company acquired from DCI the entire issued and outstanding shares of DI, a company engaged in broadband cable and satellite services, in accordance with the stockholders' approval in November 2002. The acquisition was approved by the Bureau of Internal Revenue (BIR) on May 15, 2003. A notice of exemption for the issuance of the shares under the Revised Securities Act was already filed with the Commission on November 6, 2003. The Parent Company shares totaling 224,461,752 with 1.0 par value will be issued to DCI upon the approval of the listing of these shares with the Philippine Stock Exchange. The acquisition was accounted for similar to the uniting of interests accounting.

The balance sheet components of DI for the two years prior the acquisition, included in the consolidated financial statements are as follows:

	2002	2001
Assets:		
Cash and cash equivalents	P18,982,572	P8,184,730
Accounts receivable	963,488,520	762,532,696
Investments	22,355,763	19,230,613
Property, plant and equipment	924,033,110	970,580,788
Receivable from affiliates	121,796,762	367,641,372
Others	32,725,364	48,854,148
	P2,083,382,091	P2,177,024,347
Liabilities and stockholders' equity:		
Bank loans	P9,067,523	P—
Accounts payable and accrued expenses	43,078,128	33,933,619
Payable to affiliates	946,221,401	897,199,642
Long term debt	95,386,957	178,558,917
Capital stock	100,000,000	100,000,000
Additional paid-in capital	932,064,077	1,269,706,382
Deficit	(42,435,995)	(302,374,213)
	P2,083,382,091	P2,177,024,347

Net revenue, direct cost and operating expenses, financing income and net loss before income tax of DI for the periods prior to the acquisition by the Group, included in the consolidated financial statements are as follows:

	April 30, 2003	December 31 2002	December 31 2001
Revenues	P79,806,145	P284,088,968	P81,209,715
Direct costs	93,719,152	359,126,472	241,495,088
Financing charges - net	2,600,513	5,211,164	15,057,250
Net loss	33,390,342	77,666,477	186,233,026

8. Property, Plant and Equipment

	Balance at January 1, 2003 (As restated - Note 7)	Additions	Disposals/ Retirements/ Reclassifications	**Balance at December 31, 2003**
Cost				
Land (see Note 21)	P2,336,559,199	P5,303,350	P—	**P2,341,862,549**
Buildings and improvements	1,363,594,914	4,511,128	(472,344,965)	**895,761,077**
Machinery and equipment	282,080,722	43,036,164	(1,685,994)	**323,430,892**
Furniture, fixtures and office equipment	170,478,416	5,870,756	(7,178,852)	**169,170,320**
Transportation equipment	103,734,903	8,428,901	(23,404,844)	**88,758,960**
Cable system equipment	986,572,243	5,253,847	(4,150,517)	**987,675,573**
Test, communication and other equipment	93,709,525	1,646,123	(1,081,471)	**94,274,177**
Computer system	62,312,092	1,451,468	(1,812,877)	**61,950,683**
Leasehold improvements	71,396,851	2,244,795	(854,335)	**72,787,311**
Tools and equipment	12,340,421	2,885,723	(383,161)	**14,842,983**
	5,482,779,286	80,632,255	(512,897,016)	**5,050,514,525**

	Balance at January 1, 2003 (As restated - Note 7)	Additions	Disposals/ Retirements/ Reclassifications	**Balance at December 31, 2003**
Accumulated depreciation and amortization:				
Buildings and improvements	733,236,016	21,591,737	(366,838,823)	**387,988,930**
Machinery and equipment	230,027,007	8,810,235	(36,685,994)	**202,151,248**
Furniture, fixtures and office equipment	142,007,894	9,848,445	(6,556,940)	**145,299,399**
Transportation equipment	86,080,910	7,803,625	(20,641,606)	**73,242,929**
Cable system equipment	163,002,320	82,944,830	(6,973,973)	**238,973,177**
Test, communication and other equipment	29,445,040	9,726,609	(389,150)	**38,782,499**
Computer system	41,340,979	11,964,915	(1,124,124)	**52,181,767**
Leasehold improvements	62,071,872	3,712,734	(834,137)	**64,950,469**
Tools and equipment	10,122,334,573	4,055,562	(310,547)	**13,867,550**
	1,497,334,573	160,458,692	(440,355,297)	**1,217,437,968**
Impairment loss	81,442,459	350,000,000	—	**431,442,459**
Construction-in-progress	1,576,628	—	(995,330)	**581,298**
	P3,905,578,882	(P429,826,437)	(P73,537,049)	**P3,402,215,396**

In 2003, a subsidiary recognized impairment losses of P350.0 million representing the write-down of cable system equipment to recoverable amount, which was based on value in use and was determined at the cash-generating unit level. The cash-generating unit consists of the assets of the Group relating to the broadband segment. In determining value in use for the cash-generating unit, the cash flows were discounted at a nominal rate of 10.7% on a pre-tax basis.

In 2002, a subsidiary recognized impairment losses of P46.4 million representing the write-down of buildings and improvements and machinery and equipment of discontinuing operations to recoverable amount, which was based on net selling price (see Note 18). Also, a subsidiary recognized impairment losses of P35.0 million representing the write-down of machinery and equipment to recoverable amount, which was based on net selling price.

9. Other Noncurrent Assets

This account consists of:

	2003	2002 (As restated - Notes 2 and 7)
Finance receivables - net of current portion (see Note 13)	P138,241,429	**P58,568,426**
Investment in insurance policy	224,975,892	—
Investment in shares of stock - at cost	**53,735,682**	53,615,409
Deferred tax assets - net (see Note 17)	10,104,969	**16,908,135**
Others - net	**92,395,445**	23,838,107
	P519,453,417	P152,930,077

10. Loans Payable

In 2003, the BRL obtained short-term US dollar loans from a foreign bank secured by a portion of BRL's short-term investments, which bear interest of prevailing market rates ranging from 2.5% to 3.71%. Outstanding balance as of December 31, 2003 amounted to US$5.2 million.

In 2002, DI had foreign currency-denominated loans from a foreign bank with interest at 1.25% over 180 days London Interbank Offered Rate and were fully paid on November 15, 2003.

11. Accounts Payable and Accrued Expenses

This account consists of:

	2003	2002 (As restated - Notes 2 and 7)
Trade	P195,474,939	**P201,548,172**
Refundable deposits	29,376,553	**22,071,219**
Accrued salaries	18,221,255	**33,796,877**
Output tax	5,470,142	**22,888,619**
Provisions for warranty	**793,002**	8,457,463
Others	**152,327,547**	77,289,195
	P401,663,438	P366,051,545

The movement of provisions for warranty is as follows:

	2003	2002
Balance at beginning of year	**P8,457,463**	P7,789,265
Additions during the year	**793,002**	668,198
Warranties claimed during the year	**(325,687)**	—
Reversal during the year	**(8,131,776)**	—
Balance at end of year	**P793,002**	P8,457,463

12. Capital Stock and Retained Earnings

Capital Stock

Changes in number of shares are as follows:

	2003	2002 (As restated - Note 7)	2001 (As restated - Notes 7)
Common stock - P1 par value			
Authorized	**5,000,000,000**	5,000,000,000	5,000,000,000
Issued:			
At beginning of year as previously reported	**2,030,975,000**	2,030,975,000	2,030,975,000
Uniting of interest adjustment	—	100,000,000	100,000,000
Issuances during the year	**224,461,752**	—	—
Balance at end of year	**2,255,436,752**	2,130,975,000	2,130,975,000

Changes in number of treasury shares are as follows:

	2003	2002	2001
Balance at beginning of year			
Treasury shares acquired during the year	**209,433,000**	206,913,000	166,943,000
Balance at end of year	—	2,520,000	39,970,000
	209,433,000	209,433,000	206,913,000

Retained Earnings (Deficit)

Retained earnings corresponding to the cost of treasury shares amounting to P115.6 million as of December 31, 2003 and 2002, and P114.8 million as of December 31, 2001 are not available for dividend declaration.

Undistributed earnings of subsidiaries amounting to P764.8 million in 2003 and P679.9 million in 2002 are not available for dividend declaration.

13. Related Party Transactions

The Group, in the normal course of business, has transactions with companies that are owned by its ultimate majority stockholders. These are summarized as follows:

a. Sale of goods and services aggregating P345 million in 2002 and P321 million in 2001.
b. Lease of properties aggregating P4.9 million in 2003, P4.4 million in 2002 and P5.1 million in 2001.
c. Sale of machinery and equipment, with a carrying value of P19.2 million, to a foreign company owned by the majority shareholders in 2002.
d. Extension of business loans which bear interest at 11% in 2003, 2002 and 2001. These loans are secured by surety agreements with the shareholders of the affiliates; and
e. Extension/availment of non-interest bearing cash advances to/from the Destiny Cable Inc.

Outstanding receivables arising from these transactions that are included in the consolidated balance sheets are summarized below.

	2003	2002
Trade	**P33,625,586**	P63,758,952
Finance receivables	**188,491,216**	125,135,202
	P222,116,802	P188,894,154

f. Availment of non-interest-bearing cash advances from other related parties. Outstanding balance as of December 31, 2003 and 2002 amounted to P95.5 million and P64.5 million, respectively.

14. Cost of Goods Sold (Continuing Operations)

	2003	2002 (As restated - Notes 2 and 7)	2001 (As restated - Notes 2 and 7)
Merchandise	**P643,339,895**	P507,021,064	P660,414,200
Raw materials used	**59,921,545**	565,033,673	841,021,227
Direct labor	**23,832,178**	55,894,363	40,571,737
Depreciation	**8,708,850**	12,667,153	121,259,647
Changes in inventory balances	**(1,763,734)**	23,947,951	45,838,509
Others (see Note 16)	**40,098,937**	53,322,084	48,744,460
	P774,137,671	P1,217,886,288	P1,757,849,780

15. Operating Expenses (Continuing Operations)

This account consists of:

	2003	2002 (As restated - Notes 2 and 7)	2001 (As restated - Notes 2 and 7)
Personnel costs (see Note 16)	**P108,326,833**	P123,366,841	P152,235,735
Property maintenance, utilities and insurance	**40,646,060**	36,004,181	32,207,918
Taxes and licenses	**24,372,976**	32,578,480	29,473,951
Outside services	**20,685,658**	19,866,846	26,445,305
Depreciation and amortization	**18,090,375**	65,297,401	109,318,552
Provision for doubtful accounts	**11,292,231**	11,478,793	22,814,349
Transportation and travel	**9,210,555**	10,953,303	5,779,155
Advertising and promotions	**1,267,594**	52,326,995	62,644,641
Provision for inventory losses	—	16,379,564	31,119,068
Others	**63,612,954**	93,618,643	155,945,698
	P297,505,236	P461,871,047	P627,984,372

21. Contingencies

Certain subsidiaries are involved in litigations, which arose in the normal course of business. These include, among others, the following:

a. SC is involved in litigation and dispute with a local bank concerning letters of credit issued in connection with shipments of electronic parts to SC. The bank seeks payment of P154.5 million.

b. A complaint was filed against SLC by a music company, before the Department of Justice for alleged infringement of copyrights on sound recording. Payment for damages of P148.0 million was being claimed by the music company.

c. SC and SMC own parcels of land that are being subject to expropriation coverage under agrarian reform. These parcels of land have a carrying value of P68.0 million.

d. SMC has a parcel of land with a carrying value of P785.0 million that is subject to claims by third parties who filed court cases against SMC. The case is still pending with the Court of Appeals.

The above litigations are still pending resolution. Management believes that the ultimate liability or loss, if any, with respect to such litigations will not materially affect the financial position and results of operation of the Group.

22. Segment Information

Consumer electronics consists of trading and rendering of repair services. Real estate activities include leasing and development and sale of industrial estate. Broadband activities include data transport services.

Other activities include financing and logistics services.

Business Segments

The following tables present revenue and income information and certain asset and liability information regarding business segments.

	Consumer Electronics	Real Estate	Broadband	Others	Total
			(In Millions)		
Year ended (December 31, 2003					
Revenue (continuing):					
Sales to external customers	P826	P159	P164	P134	P1,283
Inter-segment sales	—	—	—	—	—
Total revenue					P1,283
Result (continuing)					
Segment result	P99	P32	(P527)	P94	(P302)
Minority interest					3
Net loss (continuing)					(P299)
As of December 31, 2003					
Assets and liabilities					
Segment assets	P1,587	P2,353	P852	P2,698	P7,490
Unallocated assets					21
Total assets					P7,511
Segment liabilities	P224	P139	P63	P323	P749
Unallocated liabilities					2
Total liabilities					P751
Other segment information -					
Depreciation and amortization	P28	P17	P109	P6	P160
Year ended December 31, 2002					
Revenue (continuing):					
Sales to external customers	P1,272	P95	P279	P76	P1,722
Inter-segment sales					70
Total revenue					P1,792
Result (continuing):	(P194)	P1	(P82)	P30	(P251)
Minority interest					P4
Net loss (continuing)					(P247)

	Consumer Electronics	Real Estate	Broadband	Others	Total
			(In Millions)		
As of December 31, 2002					
Assets and liabilities					
Segment assets	P1,619	P2,820	P2,084	P1,905	P8,428
Unallocated assets					(81)
Total assets					P8,347
Segment liabilities	P171	P169	P140	P16	P496
Unallocated liabilities					33
Total liabilities					P529
Other segment information					
Depreciation and amortization	P141	P44	P113	P2	P300
Year ended December 31, 2001					
Revenue (continuing):					
Sales to external customers	P1,963	P95	P70	P118	P2,246
Inter-segment sales	—	—	—	—	—
Total revenue					P2,246
Result (continuing):	(P865)	(P16)	(P186)	P33	(P1,034)
Minority interest					20
Net loss (continuing)					(P1,014)
As of December 31, 2001					
Assets and liabilities					
Segment assets	P1,832	P2,836	P1,445	P1,567	P7,680
Unallocated assets					343
Total assets					P8,023
Segment liabilities	P256	P159	P130	P80	P625
Unallocated liabilities					83
Total liabilities					P708
Other segment information -					
Depreciation and amortization	P199	P26	P86	P2	P313

All segment revenues are directly attributable to the segments. Segment assets include all operating assets used by a segment and consist principally of cash, receivables, inventories, property, plant and equipment, net of allowances. Segment liabilities include all operating liabilities used by a segment and consist principally of trade accounts payable and other accrued liabilities. Segment assets and liabilities do not include deferred income taxes.

Segment revenues and segment results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. Those transfers are eliminated in consolidation.

INVESTOR RELATIONS

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