

PHILIPPINE LONG DISTANCE TELEPHONE CO

Form 6-K

June 10, 2003

We disclose that at the Board of Directors meeting of Philippine Long Distance Telephone Company (the "Company") held on 10 June 2003, the Board of Directors of the Company approved the adoption of the attached consolidated and non-consolidated financial statements of the Company for the three years ended December 31, 2002.

At the request of the Company, SyCip Gorres Velayo & Co., or SGV, a member practice of Ernst & Young Global, or EY, re-audited the consolidated and non-consolidated financial statements of the Company for 2000 and 2001. SGV rendered an unqualified audit report on the Company's consolidated and non-consolidated financial statements as of and for the years ended December 31, 2000, 2001 and 2002. There are no material changes in the previously filed consolidated and non-consolidated financial statements of the Company.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereto duly authorized.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

/s/ MA. LOURDES C. RAUSA-CHAN

Corporate Secretary

Date: June 10, 2003

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1 copy    Philippine Stock Exchange

1 copy    Company Secretary

*SGV & CO*

Report of Independent Auditors

The Stockholders and the Board of Directors

Philippine Long Distance Telephone Company

We have audited the accompanying consolidated and non-consolidated balance sheets of Philippine Long Distance Telephone Company and Subsidiaries and of Philippine Long Distance Telephone Company, respectively, as of December 31, 2002, 2001 and 2000, and the related consolidated and non-consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. 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 did not audit the financial statements of Mabuhay Philippines Satellite Corporation, ACeS Philippines Cellular Satellite Corporation, ePLDT, Inc. and other subsidiaries. The consolidated financial statements reflect total assets of these subsidiaries of Php18,873 million, Php16,764 million and Php14,872 million as of December 31, 2002, 2001 and 2000, respectively, and total operating revenues of Php5,508 million, Php2,552 million and Php2,034 million for the years then ended, respectively. In the non-consolidated financial statements, the carrying value of the investments in these subsidiaries amount to Php5,374 million, Php6,091 million and Php4,499 million as of December 31, 2002, 2001 and 2000, respectively, and the equity in net losses for the years then ended amount to Php1,115 million, Php89 million and Php25 million, respectively. The financial statements of these subsidiaries were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

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 and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated and non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Philippine Long Distance Telephone Company and Subsidiaries and of Philippine Long Distance Telephone Company, respectively, as of December 31, 2002, 2001 and 2000, 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.

As fully discussed in Note 3 to the financial statements, the Company changed in 2002 its method of accounting for its investment in the shares of stock of Pilipino Telephone Corporation as provided under Statement of Financial Accounting Standards 28/International Accounting Standards 28, Accounting for Investments in Associates. Also, as discussed in Note 3, the Company and certain subsidiaries have given retroactive effect to the change in accounting for prepaid cards.

/s/ SYCIP GORRES VELAYO &amp; CO.

Makati City, Philippines

June 6, 2003

**PHILIPPINE LONG DISTANCE TELEPHONE COMPANY****BALANCE SHEETS****December 31, 2002, 2001 and 2000****(In Million Pesos)**

	<b>Consolidated</b>			<b>Non-Consolidated</b>		
	2000	2001	2002	2000	2001	2002
	(As restated - Note 3)			(As restated - Note 3)		
<b><u>ASSETS</u></b>						
<b>Current Assets</b>						
Cash and cash equivalents (Notes 5 and 22)	9,674	4,123	<b>10,876</b>	7,781	2,336	<b>4,165</b>
Accounts receivable net (Notes 6, 15 and 22)	27,101	26,797	<b>20,124</b>	22,109	21,016	<b>19,376</b>
Inventories and supplies net (Note 7)	3,374	5,204	<b>4,507</b>	1,778	3,685	<b>2,709</b>
Deferred income tax net (Notes 3 and 18)	1,725	1,626	<b>3,772</b>	1,111	1,346	<b>3,002</b>
Prepayments and other current assets	1,650	2,258	<b>1,879</b>	432	946	<b>1,403</b>
Total Current Assets	43,524	40,008	<b>41,158</b>	33,211	29,329	<b>30,655</b>
<b>Noncurrent Assets</b>						
Property, plant and equipment net (Notes 7, 8, 12 and 20)	272,398	256,477	<b>252,025</b>	198,521	197,647	<b>190,722</b>
Investments net (Notes 2, 3, 9, 12, 14, 15, 17 and 20)	5,303	6,424	<b>5,470</b>	29,918	35,140	<b>39,726</b>
Other noncurrent assets net (Notes 9, 10, 15 and 23)	4,928	4,985	<b>4,988</b>	1,809	809	<b>1,613</b>
Total Noncurrent Assets	282,629	267,886	<b>262,483</b>	230,248	233,596	<b>232,061</b>
	326,153	307,894	<b>303,641</b>	263,459	262,925	<b>262,716</b>
<b><u>LIABILITIES AND STOCKHOLDERS EQUITY</u></b>						
<b>Current Liabilities</b>						
Notes payable (Note 22)	4,117	6,462	<b>760</b>	50	1,962	<b>720</b>
Accounts payable (Notes 15 and 22)	15,293	12,234	<b>9,694</b>	12,006	8,674	<b>7,397</b>
	10,239	10,692	<b>12,531</b>	5,164	5,243	<b>5,537</b>

Accrued and other current liabilities (Notes 3, 11, 15, 18 and 22)						
Income tax payable (Note 18)	456	355	<b>982</b>	373	181	<b>538</b>
Dividends payable (Note 14)	481	323	<b>424</b>	476	323	<b>424</b>
Current portion of long-term debt (Notes 8, 12, 15, 22 and 23)	12,857	19,286	<b>19,176</b>	10,892	14,274	<b>11,962</b>
Total Current Liabilities	43,443	49,352	<b>43,567</b>	28,961	30,657	<b>26,578</b>
<b>Noncurrent Liabilities</b>						
Long-term debt net of current portion (Notes 8, 12, 15, 22 and 23)	179,068	149,611	<b>148,587</b>	135,297	127,241	<b>127,362</b>
Deferred income tax net (Note 18)	8,542	8,622	<b>10,699</b>	8,131	8,291	<b>9,231</b>
Deferred credits and other noncurrent liabilities (Notes 3, 13, 15, 16 and 23)	9,339	12,795	<b>11,541</b>	6,019	10,175	<b>11,157</b>
Total Noncurrent Liabilities	196,949	171,028	<b>170,827</b>	149,447	145,707	<b>147,750</b>
Minority Interest in Consolidated Subsidiaries	710	953	<b>859</b>			
<b>Stockholders Equity</b> (Notes 2 and 14)	85,051	86,561	<b>88,388</b>	85,051	86,561	<b>88,388</b>
	326,153	307,894	<b>303,641</b>	263,459	262,925	<b>262,716</b>

See accompanying Notes to Financial Statements.

## PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

### STATEMENTS OF INCOME

For the Years Ended December 31, 2002, 2001 and 2000

(In Million Pesos, Except Per Share Amounts)

	Consolidated			Non-Consolidated		
	2000	2001	2002	2000	2001	2002
	(As restated - Note 3)			(As restated - Note 3)		
<b>OPERATING REVENUES</b> (Notes 3 and 15)						
Fixed line services:						
Local exchange	18,978	21,376	<b>21,167</b>	18,250	21,021	<b>21,065</b>
International long distance	13,233	11,454	<b>10,640</b>	12,790	11,271	<b>9,991</b>
National long distance	10,550	8,388	<b>7,668</b>	10,136	8,224	<b>7,583</b>
Data and other network	2,963	4,776	<b>5,480</b>	2,911	4,714	<b>5,371</b>
Miscellaneous	243	426	<b>563</b>	183	377	<b>843</b>
	45,967	46,420	<b>45,518</b>	44,270	45,607	<b>44,853</b>
Wireless services	14,362	23,648	<b>33,704</b>			
	239	469	<b>941</b>			

Information and communications technology services	60,568	70,537	<b>80,163</b>	44,270	45,607	<b>44,853</b>
<b>OPERATING EXPENSES</b>						
Depreciation and amortization (Note 8)	17,896	21,537	<b>24,110</b>	10,122	12,676	<b>12,917</b>
Compensation and benefits (Note 16)	8,725	9,001	<b>10,179</b>	7,221	7,080	<b>6,987</b>
Selling and promotions (Note 3)	8,590	8,032	<b>8,427</b>	1,651	1,301	<b>1,284</b>
Maintenance (Note 15)	4,064	4,636	<b>4,886</b>	3,021	3,250	<b>3,100</b>
Provision for doubtful accounts (Note 6)	3,010	3,184	<b>4,024</b>	2,326	2,868	<b>3,311</b>
Rent (Note 15)	1,644	2,342	<b>2,827</b>	1,711	1,743	<b>1,671</b>
Professional and other service fees (Note 15)	1,478	1,664	<b>1,676</b>	1,101	1,007	<b>1,005</b>
Taxes and licenses (Note 21)	744	751	<b>855</b>	509	396	<b>503</b>
Other operating costs (Note 15)	3,618	2,747	<b>2,393</b>	1,976	1,559	<b>1,143</b>
	49,769	53,894	<b>59,377</b>	29,638	31,880	<b>31,921</b>
<b>NET OPERATING INCOME</b>	10,799	16,643	<b>20,786</b>	14,632	13,727	<b>12,932</b>
<b>OTHER EXPENSES Net</b>						
(Notes 3, 6, 8, 9, 10, 12, 15, 17 and 22)	11,479	14,543	<b>16,123</b>	12,931	10,191	<b>8,960</b>
<b>INCOME (LOSS) BEFORE INCOME TAX AND MINORITY INTEREST IN NET LOSSES OF CONSOLIDATED SUBSIDIARIES</b>	(680)	2,100	<b>4,663</b>	1,701	3,536	<b>3,972</b>
<b>PROVISION FOR INCOME TAX</b>						
(Notes 3 and 18)	1,822	1,033	<b>1,592</b>	2,069	708	<b>854</b>
<b>INCOME (LOSS) BEFORE MINORITY INTEREST IN NET LOSSES OF CONSOLIDATED SUBSIDIARIES</b>	(2,502)	1,067	<b>3,071</b>	(368)	2,828	<b>3,118</b>
<b>MINORITY INTEREST IN NET LOSSES OF CONSOLIDATED SUBSIDIARIES</b>	(2,134)	(1,761)	<b>(47)</b>			
<b>NET INCOME (LOSS)</b>	(368)	2,828	<b>3,118</b>	(368)	2,828	<b>3,118</b>
<b>Earnings (Loss) Per Common Share</b> (Note 19)						
Basic	(9.71)	7.85	<b>8.71</b>	(9.71)	7.85	<b>8.71</b>
Diluted		7.85	<b>8.71</b>		7.85	<b>8.71</b>

*See accompanying Notes to Financial Statements.*

**PHILIPPINE LONG DISTANCE TELEPHONE COMPANY**

**STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**

**For the Years Ended December 31, 2002, 2001 and 2000**

**(In Million Pesos)**

