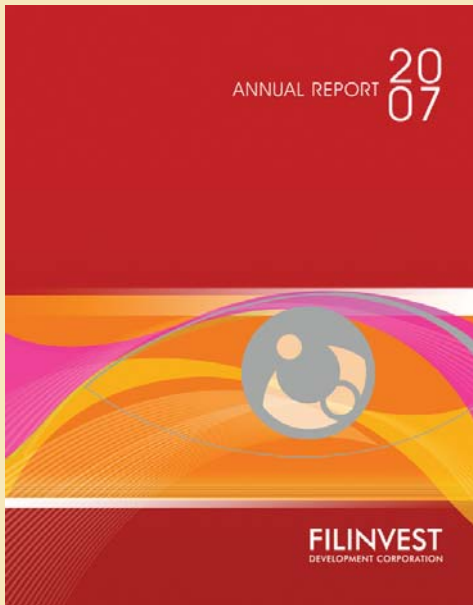


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## Cover Story

**An Eye for Possibilities.** The secret behind Filinvest Development Corporation's staying power is foresight. Through the decades, the Company has stayed attuned to the ebb and flow of business, expanding in areas where it perceives strength and making strategic investments and alliances at the right time. Armed with this business acumen, the Company is in excellent shape for long-term growth and competitiveness.

# Filinvest Development Corporation and Subsidiaries

## Financial Highlights

(In Thousands of Pesos, Except Earnings Per Share Figures)

	2007	2006	2005	2004	2003
<b>Operating Results</b>					
Revenues	6,625,127	5,944,571	5,285,911	4,159,998	3,830,876
Net Income	3,343,527	2,080,731	713,630	902,620	426,074
Return on Assets (ave.)	2.9%	2.4%	0.9%	1.2%	0.6%
Return on Equity (ave.)	5.7%	5.7%	2.1%	2.7%	1.3%
<b>Financial Position</b>					
Total Assets	114,547,820	85,679,486	78,249,823	75,279,731	67,649,437
Total Long-term Debt	9,781,449	11,709,180	11,562,549	9,535,123	8,336,977
Stockholders' Equity	58,431,383	36,702,929	34,344,900	33,072,581	33,127,507
No. of Shares Outstanding ('000)	7,505,725	5,955,725	5,955,725	5,955,725	5,955,725
Debt to Equity*	16.7%	31.9%	33.7%	28.8%	25.2%
Net Debt to Equity**	-8.8%	8.3%	19.4%	19.1%	15.4%
<b>Earnings Per Share Data</b>					
	0.320	0.300	0.127	0.096	0.028

\* computed as long-term debt divided by stockholders' equity

\*\* computed as long-term debt less cash equivalents divided by stockholders' equity



## Joint Message

2007 was a turning point for your Company and the Philippine economy. The Philippine economy experienced robust growth in 2007. Gross Domestic Product (GDP) grew by 7.3%, the highest in 31 years. The budget deficit stood at Php 9.4 billion, substantially lower than the Php 62 billion deficit the previous year. OFW remittances, which accounted for close to 11% of GDP, reached its highest level ever of US\$14.4 billion, 13% more than the previous year.

2007 was a milestone year for your Company. In February 2007, the Company raised US\$204 million through a follow-on offering of its listed real estate subsidiary, Filinvest Land, Inc. (FLI). Php 5.92 billion was raised through a sale of primary shares by FLI while Php 4.1 billion was raised by Filinvest Alabang, Inc. through a secondary share sale of FLI. Funds raised from the offering allowed both companies to accelerate development of their respective land banks and unlock the earning potential of their valuable assets.

To further diversify the Company's revenue stream, FDC acquired in June 2007 from ALG Holdings, a 100% stake in Pacific Sugar Holdings Corporation (PSHC) which in turn owns two sugar mills and manages a sugar plantation in Mindanao. Davao Sugar Central Co., Inc. (DSCC) and Cotabato Sugar Central Co., Inc. (CSCC) have a combined milling capacity of 9,000 metric tons per day and a refining capacity of 6,000 50-kilogram bags per day while High Yield Sugar Farms Corporation (HYSFC) manages over 1,800 hectares of sugarcane farms principally in Davao del Sur and North Cotabato. The purchase of the sugar business, valued at Php 11.2 billion, was in exchange for 1.55 billion new shares.

This year, we celebrated our 25th anniversary as a listed firm at the Philippine Stock Exchange. Your Company is currently one of the Philippines' leading conglomerates, with interests in real estate development and leasing, financial and banking services, and sugar.

### **Financial Highlights**

FDC reported a net income of Php 3.34 billion in 2007, 61% more than 2006's net income of Php 2.08 billion. Net revenues rose to Php 6.63 billion from Php 5.94 billion or an 11% increase over the previous year. Extraordinary income from the sale of FLI shares accounted for the significant increase in net income.

Stockholders' equity rose to Php 58.43 billion, up 59% from the previous year's level. Assets registered at Php 114.55 billion from the 2006 level of Php 85.68 billion, buoyed by growth in the financial services sector and by the acquisition of PSHC.

FDC's net revenues registered a compounded annual growth rate of 12% over the last five years while its net income has grown by 51% CAGR over the same period. This reflected the concerted effort of the subsidiaries to optimize returns.

The Group's financial position further strengthened. Its cash flow from operations improved to Php 5.98 billion, a 111% improvement from the previous year's level. It reduced the debt level by Php 1.93 billion to end the year with Php 9.8 billion in



Jonathan T. Gotianun and Josephine Gotianun-Yap

debt and a 0.17 to 1 debt-to-equity ratio. Riding on its strong credit track record, the Group intends to build up its leverage to a 0.3 to 1 ratio in pursuit of accelerated growth in its real estate development business.

#### **Further Strengthening Our Core Property Business**

Php 4.54 billion or 69% of net revenues was accounted for by the real estate business, with Php 777 million contributed by Filinvest Alabang, Inc. (FAI) and Php 3.28 billion by Filinvest Land, Inc. (FLI).

FAI's net income rose 351% year-on-year to Php 2.07 billion. It booked Php 1.70 billion in extraordinary gains from the sale of FLI shares during the latter's follow-on offering in February, while real estate development sales and leasing activities accounted for Php 531 million of earnings. Construction work continues on FAI's residential condominiums, namely the West Parc complex, Studio One and Studio Two, and La Vie Flats, as we welcomed new tenants at Westgate Center, F@stbytes and South Station.

On the other hand, FLI ended 2007 with a net income of Php 1.70 billion from revenues of Php 5.13 billion. The 95% growth in net income was largely due to the Php 918 million contribution of the real estate development business, boosted by the full year contribution of the investment properties which were acquired in September 2006. FLI recorded an all-time high of Php 5.0 billion in reservation sales, as it ventured into the new provinces of Tarlac, Pampanga and Palawan, and introduced new products, namely, the mid-rise residential buildings (MRBs) in inner-city developments and a condotel in Cebu, located right across the Cebu Business Park. In 2007, FLI launched 17 new projects and phases, with an inventory value of Php 6.1 billion.

The investment properties, namely PBCom Tower in Makati, Northgate Cyberzone and Festival Supermall in Filinvest Corporate City, provided FLI with a recurring income base with 243,000 square meters of gross leasable area as of end-2007 (108,000 square meters in office space and 135,000 square meters in mall space). The leasing portfolio should grow as we add more office buildings that cater to the Business Process Outsourcing (BPO) industry.

We intend to increase our office building portfolio, with four new buildings with a gross leasable area of 59,000 square meters at Northgate Cyberzone scheduled for completion this year. We have also started construction of the two BPO office buildings at One Oasis Ortigas which should add another 20,000 square meters of gross leasable space, further increasing your Company's source of recurring income.

#### **Growing the Financial Services and Sugar Investments**

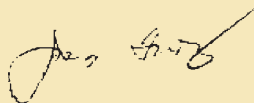
FDC infused Php 1.5 billion in equity into East West Bank this year in order to fuel its higher-than-average growth in resources of 26%. The bank's transformation into a consumer bank is reflected in its 46% increase in core net interest income by Php 428 million, and the 41% increase in other recurring income by Php 148 million. Building on the foundation started in the last few years, East West Bank will further embark on a capital raising program with the end objective of scaling up its operations towards a higher return on equity.

The full effect of its acquisition of PSHC in the second half of 2007 will impact FDC in 2008. The 192% growth in refining capacity to 17,500 bags per day will be completed by 2008, while the 55% growth in milling capacity to 14,000 tons per day should be finished by 2009. Contribution from its milling and refinery expansion should start to contribute top line growth by the last quarter of 2008.

#### **Outlook for 2008**

The effect of the anticipated US recession on the Asian economies and the Philippine economy in particular, is still to be seen. While economic fundamentals of the Philippines remain strong, we will adopt a cautious financial plan in executing our expansion programs.

Management would like to thank our stakeholders, our shareholders, employees and business partners who continue to support the Company. We will continue to work and take advantage of the growth prospects in the industries we are invested in, as well as make strategic investments and alliances when opportunities arise.



**JONATHAN T. GOTIANUN**

Chairman



**L. JOSEPHINE GOTIANUN-YAP**

Director & President-CEO

# Operational Highlights

## **FILINVEST LAND, INC.**

### *Follow-on Offering*

FLI had a successful follow-on offering in February which raised Php 5.9 billion from primary shares. The offering enabled FLI to finance its capital expenditure and retire debt. It also substantially expanded the public float of the company's shares from 4.2 billion to 11.9 billion. As a result of this increase in the float, the liquidity of FLI significantly increased, with the average daily volume turnover at 63.7 million shares in 2007, more than four times the average level in 2006.

### *Housing*

Riding on the boom of the real estate sector, FLI launched 17 new phases and projects in 2007 with a sales value of Php 6.1 billion. The socialized housing segment accounted for 5% of FLI's real estate development revenues in 2007, followed by the affordable housing segment at 18%. The middle-income segment contributed 43% while the balance of 34% were from high-end projects, farm estates, industrial lots, club shares and entrepreneurial villages.

Among the projects launched in 2007 is Sunrise Place in Tanza, Cavite, FLI's first new socialized housing project since the 1997 Asian financial crisis.

2007 saw FLI go into new provinces and launch new products. The affordable housing project Claremont and the middle-income Hampton Orchards were launched in Pampanga. Further north, in Tarlac City, Somerset Lane was made available to the affordable segment. During the fourth quarter, land development began at West Palms, a middle-income housing project in Puerto Princesa, Palawan.



One Oasis clubhouse



Grand Cenia Hotel & Residences



Top: Digishops at Festival Supermall  
Bottom: New restaurant at Greens & Grills



Northgate Cyberzone

FLI launched the first of its mid-rise buildings (MRBs) in inner-city residential developments along Ortigas Extension in Pasig City. One Oasis Ortigas was closely followed by a similar project in Davao City. Pre-selling for Grand Cenia Hotel and Residences likewise commenced within 2007. It is a condotel in Cebu City, located right across the Cebu Business Park.

#### *Investment Properties*

Two buildings were added to FLI's growing portfolio of BPO office buildings. Plaz@ D and 5132 Building at Northgate Cyberzone were turned over to their tenants which include ICICI Bank, Genpact and Verizon. This brought FLI's office building portfolio to 108,000 square meters of gross leasable area, including its share of 50% of the PBCOM Tower along Ayala Avenue in Makati. FLI's entire office portfolio remains fully leased out.

Sections of Festival Supermall were redeveloped to provide customers a better shopping experience. The Bingo area was converted into an area devoted to gadgets, games and hobbies called Digishops while new tenants were added to the Greens and Grills area which has become a hangout for the after-office crowd.



Aerial shot of Filinvest Corporate City

## **FILINVEST ALABANG, INC.**

### *New Developments and New Locators*

Spurred by a dynamic real estate industry, development activities within the 244-hectare Filinvest Corporate City (FCC) in Alabang increased in 2007.

In 2008, the elevated Skyway along the South Expressway which will link Makati/Bicutan to FCC will commence construction. The destination will be the South Station Exit in FCC. It is expected that the Muntinlupa viaduct repair will be completed by 2009, along with the reopening of the Filinvest Exit. Upon completion, both these developments will significantly improve accessibility of FCC.

Filinvest Corporate City will see the expansion of much-needed hotel rooms in the next few years. The Bellevue Manila expanded further with the construction of The Bellevue Executive Tower, the third building within the hotel complex. Upon completion in 2009, The Bellevue Executive Tower will add a total of 235 guest rooms and suites. In other developments, a corner lot on Filinvest Avenue will be the site of Acacia Grove, a 500-room hotel. FAI also launched the Entrata complex, a 4-tower development which includes a hotel, SOHO (Small Office-Home Office) units, and two office towers built on a retail podium. Strategically located right beside Festival Supermall, Entrata is at the eastern gateway of FCC.

FCC has undoubtedly become the destination of car enthusiasts in the South that it envisioned to achieve when it opened Westgate a few years back. Citimotors, a successful Mitsubishi dealership, extended its reach in the south with a new branch along Alabang-Zapote Road in FCC. Ssangyong and Suzuki also opened car showrooms on the adjacent lot. The upcoming Audi and Porsche showroom of PGA cars and Kia Motors, together with the existing dealerships of Nissan, Mazda, Chevrolet and the services of Dabest Autofix and Minerva Tyre Gallery, provide enthusiasts a wide array of choices.



### *Retail Sector*

The 9.5-hectare Westgate Center welcomed new establishments such as Melo's, Ilustrado Restaurant, and Sushi-Ya in 2007, strengthening its position as a retail, dining and wellness destination. Also gearing up for opening this year are Fun Ranch, Dermatics, The Suriya Spa, Brunello Italian Restaurant, Alba Restaurante Español and Red Kimono.



F@stbytes, the 24-hour dining and retail hub in Northgate Cyberzone, will offer more choices to BPO employees when it opens phase 2 of the development in the first half of 2008. Among the tenants that will start operating soon are Starbucks Coffee, Jollibee, Country Style, Bacolod Chicken Inasal, Mongolian Quick Stop and GE Money Bank.

Near the Muntinlupa Public Market, the full development of the six-hectare South Station Center moved forward in 2007 with the soft opening of the retail building and the construction of the transport terminal. The multi-modal transport terminal is scheduled for completion by the third quarter of 2008 and will manage the operation and interface of various public utility vehicles. South Station Center is envisioned to become the regional trading post and transport hub of Southern Metro Manila.



Top: New establishments at Westgate Center  
Bottom: South Station retail building

The full opening of the transport terminal in 2008 should spur the growth of South Station. Phase 1 of the retail building is expected to be fully operational by 2009 and will house branches of McDonald's, Jollibee, 7-11 Convenience Store and various bargain outlets and specialty shops. South Station has also launched a weekend "bagsakan" or farmers' market in cooperation with the Department of Agriculture.

### *Residential Sector*

FCC's condominium communities continued to take shape in 2007 with the ongoing construction of three projects catering to different lifestyles.

The three-tower West Parc complex near the Alabang-Zapote Road recently topped off Cedar, its last building. Alder Building is already occupied while Birch Building is scheduled for turnover by the second quarter of 2008. The entire complex is expected to be fully operational by the third quarter of 2009.

At the Northgate Cyberzone information technology park, the Studio One and Studio Two condominiums were master-planned to offer affordable housing accommodation primarily for BPO employees. Studio One is sold out and scheduled for turnover by September



Studio One



Civic Prime



Entrata urban complex

2008. Construction of Studio Two is in full swing with structural topping-off expected in June 2008. Studio Three, which will also cater to the same market, is scheduled for launching in mid-2008.

Along Parkway Avenue, The Flats community continued to grow with 106 units of Vivant Flats turned over to buyers by December 2007. The second building, La Vie Flats, broke ground in September 2007 and is targeted for completion by the first quarter of 2010.

For 2008, FAI is gearing up for the launch of The Levels, a four-tower residential community that advocates a nature-oriented lifestyle by providing generous open spaces, lush landscaping and outdoor amenities built on one of the highest points of FCC.

#### *Office Sector*

Maintaining its track record of success in SOHO (Small Office-Home Office) development, the 10-storey Civic Prime is almost sold out and will be ready for turnover by the second quarter of 2008.

In August 2007, FAI soft-launched Entrata, a master-planned urban complex that features a luxurious hotel, home office units and a commercial/retail center on a prime block at the gateway to Filinvest Corporate City. Within five months, Tower 1 of Entrata achieved a substantial take-up of 146 home-office units and the demand continues to remain high. Excavation and construction started in the first quarter of 2008.

#### *Leisure Sector*

The Palms Country Club celebrated its fifth year of operations in 2007 and continues to be a world-class venue for sports, recreation and socialization in southern Metro Manila. With a total membership of 1,805 and a new general manager on board, the club strives to maintain its reputation of having a professional management team, carefully executed activities, expansive food and beverage options and unparalleled attention to detail.

## FDC PROPERTIES

### *Seascapes Resort Town – Mactan, Cebu*

The seaside residential lots of Seascapes Resort Town were sold out in 2007. The resort community is preparing to offer new products such as the villas, casita shares, and units at the Seaview Condominiums.

Next on the development agenda is the completion of all main roads, along with land development for lots within the first half of the year so that lot owners can begin building their homes. The Seascapes Beach Club and Spa, designed to be the social hub of the 12-hectare resort, will be completed by the end of 2008. Resort operations will start in the first half of 2009.



Seascapes Beach Club & Spa under

### *The Beaufort – Fort Bonifacio*

FDC recently launched The Beaufort, a two-tower condominium complex that caters to the upscale residential market in Bonifacio Global City, Taguig. The Beaufort will offer spectacular views of the Makati skyline, Manila Golf Club and the Bonifacio City Center. Its six-level podium will serve as the future headquarters of East West Bank. Designed by US-based firm Arquitectonica with interiors by Teixeira Design, Inc, the project features first-class facilities and amenities befitting its discriminating clientele. Start of construction is planned for mid-2008.



The Beaufort

## EAST WEST BANK

### *The Beginning of a Breakthrough*

The year 2007 was a year of transformation for East West Bank. The seeds planted by the Board some years back to decisively revitalize and transform East West Bank into a customer-driven competitive organization started to sprout.

The Bank's total resources increased by 26% to Php 38.1 billion, one of the fastest growth rates in the industry. Net income was Php 137 million or 8% higher than 2006. Significantly, core earnings, excluding the volatile trading income and some one-off income and expenses, were up by more than Php 255 million.

The increase in core or recurring income was driven by the Php 428 million or 46% increase in net interest income to Php 1.3 billion, and the increase in other recurring income by Php 148 million or 41%. These increases were realized after the Board brought in new talents and the Bank filled in its key manpower vacancies. The manpower build-up, together with the opening of four branches, salary adjustments and the branch incentive program resulted in a Php 129 million increase in manpower related expenses. The Bank also renovated branches and built up its information technology infrastructure. All these, together with the expenses related to the bigger scale of operations, resulted in an increase of Php 364 million in operating expenses.

### Highlights of Net Interest Income (NII) Increase

The Bank gained a lot of headway in its deposit business which accounted for the major increase in NII. Total peso deposits increased by 26% to Php 26.8 billion and at the same time, interest paid on these deposits declined by 19% to Php 846 million. This was due to the generation of more low-cost CASA deposits than high-cost deposits. The branches were also able to substantially reduce the interest rates paid on time deposits. These results were due to the renewed emphasis on customer service and better selling methodologies.

On the other hand, interest income was up by 16% to almost Php 2.5 billion. This was mainly the result of a 132% increase in credit card receivables brought about by the 108% increase in cardholder base to 125,000. The interest income from these receivables tripled to Php 303 million. Mortgage loans also increased by 40% to Php 3.1 billion.

However, corporate lending lagged. Average loan portfolio level was 6% lower from 2006 and was 12% lower than planned. But the end-2007 level was 2% higher than end-2006 as most of the loans were generated in the last quarter of the year. Towards the end of 2007, the Bank started a massive manpower build-up in the corporate banking division, and when completed in early 2008, the number of lending officers will have tripled. With more lending officers, a substantial increase in corporate lending is expected in 2008.

The consumer loan portfolio made up for the shortfall in corporate loans in 2007, but gross interest income was 7% below target.

Fees, excluding those from trading, increased by 41% to Php 505 million, 31% higher than target. Fixed-income sales generated Php 24 million for a 42% growth while trust fees increased by 82% to Php 57 million. Most of these increases were a result of the balance sheet growth. With bigger business from customers, the Bank also generated more fee income.

### Moving Forward

The Bank will continue its program to move closer to its vision of world class banking anchored on service excellence in its chosen markets. Recently, the Bank launched its new tagline: **A PASSION FOR SERVICE. Simpler. Faster. Better.** The Bank recognizes that there is still a lot of work to be done to differentiate itself from its competitors in terms of service excellence.



Escolta branch opening

However, with the support of its stockholders and the programs and initiatives that are being put in place, the Bank believes that it can sustain its 2007 accomplishments. For 2008, the Bank will put in place a major upgrade of its information technology infrastructure, both in hardware and software. It recently signed contracts for a major upgrade of its Phoenix core banking solution. It also signed up with FinArch, a fast-emerging solution provider, recognized worldwide for a new general ledger, management information, and performance management software. These software upgrades will be key components for the transformation program of the Bank.



The Bank is also preparing a comprehensive training program for all its employees and is reviewing its human resource policies to make them more responsive and consistent with the Bank's growth and profitability objectives.

With all these programs to improve infrastructure, hasten business development, and more importantly, better human resource management practices, the Bank is confident that it will achieve its objective to be a more significant player in the banking industry.

## **SUGAR BUSINESS**

FDC acquired in June 2007 from ALG Holdings, a 100% stake in Pacific Sugar Holdings Corporation (PSHC), which in turn owns two sugar mills and a sugar plantation in Mindanao. Davao Sugar Central Co., Inc. (DSCC) and Cotabato Sugar Central Co., Inc. (CSCC) have a combined milling capacity of 9,000 metric tons per day and a refining capacity of 6,000 50-kilogram bags per day while High Yield Sugar Farms Corporation (HYSFC) manages over 1,800 hectares of sugarcane farms primarily in Davao del Sur and North Cotabato.

For crop year 2006-2007 (from September to August), PSHC milled a total of 1.03 million tons of cane, 10% more than the previous crop year. Sugar production reached 2.15 million 50-kilogram bags, an 15% growth year-on-year. Refined sugar accounted for more than a third of total production while raw sugar accounted for the rest.

Sugar prices were slightly lower in CY2006-2007 versus the previous crop year. The average price of raw sugar was at just above Php 1,000 per 50-kilogram bag, about a 7% decline. Refined sugar, on the other hand, was almost unchanged at Php 1,484 per bag from Php 1,505 the previous year.

The expansion of the mills is going full blast and milling capacity will increase by 55% or another 5,000 metric tons per day to 14,000 metric tons per day. Both Davao mill's and Cotabato mill's expansions have already been started. Davao mill's expansion is expected to be completed by the end of 2008 while that of Cotabato mill is scheduled for completion by 2009.

Refining capacity, on the other hand, will be almost triple from the current refining capacity with the expansion of Davao's existing refinery and the completion of Cotabato's new refinery. Currently, the refining capacity is 6,000 bags per day. When completed, the refining capacity will go up to 17,500 bags per day. Work on the expansion of Davao's refinery is already completed. The erection of Cotabato's refinery started in February and is targeted for completion mid-2008. The expansion program is being undertaken at a cost of approximately Php 750 million.

Meanwhile, the Company plans to go into the production of ethanol, using the by-product of sugar production, molasses. This backward integration will add value to the by-product which is currently being sold to third-party ethanol producers. Evaluation of a supplier for the ethanol plant is ongoing and construction is expected to commence as soon as the supplier and contractor are chosen. The projected plant will have a capacity of 100,000 liters per day.

## Board of Directors



- Andrew L. Gotianun, Sr.** – Chairman Emeritus (3)  
**Jonathan T. Gotianun** – Chairman (5)  
**Lourdes Josephine G. Yap** – Director & President-CEO (1)  
**Mercedes T. Gotianun** – Director (2)  
**Andrew T. Gotianun, Jr.** – Director (6)  
**Lamberto U. Ocampo** – Independent Director (4)  
**Cirilo T. Tolosa** – Independent Director (7)

### Subsidiary Heads

Andrew L. Gotianun, Sr. – President, Pacific Sugar Holdings Corporation  
Antonio C. Moncupa, Jr. – President & CEO, East West Banking Corporation  
Joseph M. Yap – President & CEO, Filinvest Land, Inc.

### Senior Management

Josephine G. Yap – President & CEO  
Nelson M. Bona – Sr. Vice President & Treasurer  
Pablito A. Perez – First Vice President & Corporate Secretary

### Vice Presidents

Michael T. Gotianun  
Catherine L. Advincula  
Luis C. Dy Buncio  
Abner C. Gener, Jr.

# Consolidated Balance Sheets

(Amounts in Thousands of Pesos)

	December 31	
	2007	2006 (As restated)
<b>ASSETS</b>		
Cash and cash equivalents	₱14,894,429	₱8,671,394
Loans and receivables - net		
Real estate operations	8,830,624	6,769,176
Financial and banking services	17,439,004	13,589,670
Sugar operations	484,691	-
Subdivision lots, condominiums and residential units for sale	9,401,694	7,882,048
Sugar and molasses inventories	394,355	-
Financial assets at fair value through profit or loss	1,358,412	670,753
Available-for-sale investments	3,708,581	4,008,929
Held-to-maturity investments	731,913	916,689
Land and land development	16,181,940	18,824,671
Investment properties - net	25,938,512	22,070,222
Property and equipment - net	2,889,482	1,015,058
Deferred income tax assets - net	664,130	471,787
Goodwill	10,233,522	150,212
Other assets	1,396,531	638,877
	<b>₱114,547,820</b>	<b>₱85,679,486</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Deposit liabilities	₱30,231,474	₱24,784,603
Bills and acceptances payable	1,366,780	1,316,880
Accounts payable and accrued expenses	8,269,480	4,921,438
Income tax payable	119,546	11,027
Deferred income tax liabilities - net	6,347,708	6,233,429
Long-term debt	9,781,449	11,709,180
Total Liabilities	<b>56,116,437</b>	<b>48,976,557</b>

(Forward)

# Consolidated Balance Sheets

(Amounts in Thousands of Pesos)

	December 31	
	2007	2006 (As restated)
<b>EQUITY</b>		
Equity attributable to equity holders of the parent		
Capital stock - ₱1 par value		
Preferred - cumulative		
Authorized - none in 2007 and 2,000,000,000 shares in 2006		
Common		
Authorized - 10,000,000,000 shares in 2007 and 8,000,000,000 shares in 2006		
Issued - 7,508,124,000 shares in 2007 and 5,958,124,000 shares in 2006	<b>₱7,508,124</b>	₱5,958,124
Additional paid-in capital	<b>11,709,874</b>	2,099,874
Revaluation increment in land at deemed cost	<b>46,331</b>	46,331
Revaluation reserve on investment property at deemed cost	<b>9,382,112</b>	9,382,112
Revaluation reserve on available-for-sale investments	<b>13,326</b>	19,320
Retained earnings	<b>15,993,354</b>	13,962,001
Treasury stock	<b>(24,220)</b>	(24,220)
<b>Total</b>	<b>44,628,901</b>	31,443,542
Minority interest	<b>13,802,482</b>	5,259,387
<b>Total Equity</b>	<b>58,431,383</b>	36,702,929
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱114,547,820</b>	₱85,679,486

# Consolidated Statements of Income

(Amounts in Thousands of Pesos, Except Earnings Per Share Figures )

	Years Ended December 31		
	2007	2006 (As restated)	2005 (As restated)
<b>REVENUES</b>			
Sale of lots, condominium and residential units and club shares	₱3,916,651	₱3,249,324	₱2,850,660
Financial and banking services interest income	2,451,322	1,950,852	1,953,871
Sale of sugar	596,053	-	-
	<b>6,964,026</b>	5,200,176	4,804,531
<b>COSTS</b>			
Sale of lots, condominium and residential units and club shares	(1,936,735)	(1,451,811)	(1,318,366)
Financial and banking services	(1,059,140)	(1,195,230)	(1,177,017)
Sale of sugar	(462,525)	-	-
	<b>3,505,626</b>	2,553,135	2,309,148
<b>GROSS PROFIT</b>			
<b>OTHER INCOME</b>			
Mall and rental revenues	1,186,273	1,134,545	989,669
Other income			
Real estate operation	1,372,546	1,736,717	1,477,308
Financial and banking services	547,875	520,174	509,786
Sugar operations	12,807	-	-
	<b>6,625,127</b>	5,944,571	5,285,911
<b>OPERATING EXPENSES</b>			
Real estate operations	2,660,684	2,520,938	2,444,026
Financial and banking services	2,084,676	1,410,639	1,199,304
Sugar operations	68,029	-	-
	<b>4,813,389</b>	3,931,577	3,643,330
<b>GAIN (LOSS) ON CHANGES IN EQUITY</b>			
<b>INTEREST IN A SUBSIDIARY</b>	2,232,399	631,578	(356,836)
<b>INCOME BEFORE INCOME TAX</b>	<b>4,044,137</b>	2,644,572	1,285,745
<b>PROVISION FOR INCOME TAX</b>			
Current	644,399	149,165	112,374
Deferred	56,211	414,676	459,741
	<b>700,610</b>	563,841	572,115
<b>NET INCOME</b>	<b>₱3,343,527</b>	₱2,080,731	₱713,630
Attributable to:			
Equity holders of the parent company	₱2,150,515	₱1,788,205	₱758,037
Minority interest	1,193,012	292,526	(44,407)
	<b>₱3,343,527</b>	₱2,080,731	₱713,630
<b>Basic/Diluted Earnings Per Share</b>	<b>₱0.320</b>	₱0.300	₱0.127

# Consolidated Statements of Changes in Stockholders' Equity

(Amounts in Thousands of Pesos)

	Equity Attributable to Equity Holders of the Parent								Minority Interest	Total
	Capital Stock	Additional Paid-in Capital	Revaluation Increment In Land At Deemed Cost	Revaluation Reserve on Investment Property At Deemed Cost	Revaluation Reserve on Available-for-Sale Investments	Retained Earnings	Treasury Stock	Total		
For the Year Ended December 31, 2007										
Balances as of December 31, 2006, as previously presented	P5,958,124	P2,099,874	P46,331	P9,382,112	P19,320	P14,172,744	(P24,220)	P31,654,285	P5,304,727	P36,959,012
Cumulative effects of change in accounting for:										
Real estate sales	–	–	–	–	–	143,324	–	143,324	117,702	261,026
Investment in bonds	–	–	–	–	–	(354,067)	–	(354,067)	(163,042)	(517,109)
Balances as of December 31, 2006, as restated	5,958,124	2,099,874	46,331	9,382,112	19,320	13,962,001	(24,220)	31,443,542	5,259,387	36,702,929
Changes in fair value of available-for-sale investments	–	–	–	–	(5,994)	–	–	(5,994)	–	(5,994)
Net income for the year	–	–	–	–	–	2,150,515	–	2,150,515	1,193,012	3,343,527
Total income and expense for the year	–	–	–	–	(5,994)	2,150,515	–	2,144,521	1,193,012	3,337,533
Issuance of capital stock	1,550,000	9,610,000	–	–	–	–	–	11,160,000	–	11,160,000
Issuance of additional interest to minority shareholders	–	–	–	–	–	–	–	–	7,350,083	7,350,083
Dividends paid	–	–	–	–	–	(119,162)	–	(119,162)	–	(119,162)
<b>Balances as of December 31, 2007</b>	<b>P7,508,124</b>	<b>P11,709,874</b>	<b>P46,331</b>	<b>P9,382,112</b>	<b>P13,326</b>	<b>P15,993,354</b>	<b>(P24,220)</b>	<b>P44,628,901</b>	<b>P13,802,482</b>	<b>P58,431,383</b>

	Equity Attributable to Equity Holders of the Parent								Minority Interest	Total
	Capital Stock	Additional Paid-in Capital	Revaluation Increment in Land At Deemed Cost	Revaluation Reserve on Investment Property At Deemed Cost	Revaluation Reserve on Available-for-Sale Investments	Retained Earnings	Treasury Stock	Total		
For the Year Ended December 31, 2006 (As restated)										
Balances as of December 31, 2005, as previously presented	P5,958,124	P2,099,874	P46,331	P9,382,112	P53,215	P12,303,868	(P24,220)	P29,819,304	P5,601,654	P35,420,958
Cumulative effects of change in accounting for:										
Real estate sales	–	–	–	–	–	112,543	–	112,543	94,481	207,024
Investment in bonds	–	–	–	–	–	(242,615)	–	(242,615)	(272,530)	(515,145)
Balances as of December 31, 2005, as restated	5,958,124	2,099,874	46,331	9,382,112	53,215	12,173,796	(24,220)	29,689,232	5,423,605	35,112,837
Changes in fair value of available-for-sale investments	–	–	–	–	(33,895)	–	–	(33,895)	(16,687)	(50,582)
Net income for the year, as previously stated	–	–	–	–	–	1,172,151	–	1,172,151	254,291	1,426,442
Effect of changes in accounting for:										
Real estate sales	–	–	–	–	–	30,781	–	30,781	23,221	54,002
Investment in bonds	–	–	–	–	–	585,273	–	585,273	15,014	600,287
Net income for the year, as restated	–	–	–	–	–	1,788,205	–	1,788,205	292,526	2,080,731
Total income and expense for the year	–	–	–	–	(33,895)	1,788,205	–	1,754,310	275,839	2,030,149

(Forward)

	Equity Attributable to Equity Holders of the Parent								Minority Interest	Total
	Capital Stock	Additional Paid-in Capital	Revaluation Increment in Land At Deemed Cost	Revaluation Reserve on Investment Property At Deemed Cost	Revaluation Reserve on Available-for-Sale Investments	Retained Earnings	Treasury Stock	Total		
For the Year Ended December 31, 2006 (As restated)										
Adjustment to minority interest for additional equity in a subsidiary, as previously presented	P–	P–	P–	P–	P–	P696,725	P–	P696,725	(P696,725)	P–
Effect of change in accounting for investment in bonds	–	–	–	–	–	(696,725)	–	(696,725)	65,147	(631,578)
Adjustment to minority interest for additional equity in a subsidiary, as restated	–	–	–	–	–	–	–	–	(631,578)	(631,578)
Issuance of additional shares to minority interest, as previously presented	–	–	–	–	–	–	–	–	164,230	164,230
Effect of change in accounting for investment in bonds	–	–	–	–	–	–	–	–	29,327	29,327
Issuance of additional shares to minority interest, as restated	–	–	–	–	–	–	–	–	193,557	193,557
Dividends paid	–	–	–	–	–	–	–	–	(2,036)	(2,036)
Balances as of December 31, 2006 as restated	P5,958,124	P2,099,874	P46,331	P9,382,112	P19,320	P13,962,001	(P24,220)	P31,443,542	P5,259,387	P36,702,929

(Forward)

# Consolidated Statements of Changes in Stockholders' Equity

(Amounts in Thousands of Pesos)

	Equity Attributable to Equity Holders of the Parent									
	Capital Stock	Additional Paid-in Capital	Revaluation Increment in Land At Deemed Cost	Revaluation Reserve on Investment Property At Deemed Cost	Revaluation Reserve on Available-for-Sale Investments	Retained Earnings	Treasury Stock	Total	Minority Interest	Total
	For the Year Ended December 31, 2005 (As restated)									
Balances as of December 31, 2004, as previously presented	P5,958,124	P2,099,874	P45,007	P9,114,052	P69,583	P11,409,577	(P24,220)	P28,671,997	P4,936,936	P33,608,933
Cumulative effects of change in accounting for:										
Real estate sales	-	-	-	-	-	52,652	-	52,652	41,370	94,022
Investment in bonds	-	-	-	-	-	(137,664)	-	(137,664)	(138,070)	(275,734)
Balances as of January 1, 2005, as restated	5,958,124	2,099,874	45,007	9,114,052	69,583	11,324,565	(24,220)	28,586,985	4,840,236	33,427,221
Changes in fair value of available-for-sale investments	-	-	-	-	(16,368)	-	-	(16,368)	16,368	-
Net income for the year, as previously presented	-	-	-	-	-	803,097	-	803,097	377,031	1,180,128
Effect of changes in accounting for:										
Real estate sales	-	-	-	-	-	59,891	-	59,891	53,111	113,002
Investment in bonds	-	-	-	-	-	(104,951)	-	(104,951)	(474,549)	(579,500)
Net income for the year, as restated	-	-	-	-	-	758,037	-	758,037	(44,407)	713,630
Total income and expense for the year, as restated	-	-	-	-	(16,368)	758,037	-	741,669	(28,039)	713,630
Effect of change in tax rate	-	-	1,324	268,060	-	-	-	269,384	-	269,384
Adjustment to minority interest for additional equity in affiliates	-	-	-	-	-	91,194	-	91,194	(91,194)	-

(Forward)

	Equity Attributable to Equity Holders of the Parent									
	Capital Stock	Additional Paid-in Capital	Revaluation Increment in Land At Deemed Cost	Revaluation Reserve on Investment Property At Deemed Cost	Revaluation Reserve on Available-for-Sale Investments	Retained Earnings	Treasury Stock	Total	Minority Interest	Total
	For the Year Ended December 31, 2005 (As restated)									
Issuance of additional shares to minority interest, as previously presented	P-	P-	P-	P-	P-	P-	P-	P-	P362,513	P362,513
Effect of change in accounting for investment in bonds	-	-	-	-	-	-	-	-	340,089	340,089
Issuance of additional shares to minority interest, as restated	-	-	-	-	-	-	-	-	702,602	702,602
Balances as of December 31, 2005, as restated	P5,958,124	P2,099,874	P46,331	P9,382,112	P53,215	P12,173,796	(P24,220)	P29,689,232	P5,423,605	P35,112,837

# Consolidated Statements of Cash Flows

(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2007	2006 (As restated)	2005 (As restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱4,044,137	₱2,644,572	₱1,285,745
Adjustments for:			
Loss (gain) on changes in equity interest in a subsidiary	(2,232,399)	(631,578)	356,836
Interest expense	467,411	740,795	665,174
Interest income	(409,094)	(775,160)	(392,012)
Depreciation and amortization	385,450	416,525	407,343
Gain on exchange of property	(358,966)	(138,073)	(15,868)
Write-off of assets	70,201	–	–
Provision for retirement benefits	41,522	19,954	21,136
Amortization of computer software	32,665	23,423	42,831
Loss (gain) on sale of property and equipment and investment properties	(4,408)	(4,504)	4,539
Amortization of deferred gain on sale of available-for-sale investments	–	(66,695)	(88,383)
Gain on asset foreclosure and dacion transactions	(2,277)	(11,117)	(63,164)
Dividend income	(741)	–	(73)
Operating income before changes in operating assets and liabilities	2,033,501	2,218,142	2,224,104
Decrease (increase) in:			
Loans and receivables	(5,648,118)	(2,838,454)	(2,588,364)
Subdivision lots, condominiums and residential units for sale	(1,519,646)	(279,539)	(382,193)
Inventories	(534,582)	–	–
Land and land development	2,642,731	163,309	(7,014,828)
Increase (decrease) in:			
Deposit liabilities	5,446,871	4,788,692	2,586,191
Accounts payable and accrued expenses	3,877,415	(1,074,520)	7,002,992
Net cash generated from operations	6,298,172	2,977,630	1,827,902
Income taxes paid	(313,884)	(142,170)	(110,985)
Net cash provided by operating activities	5,984,288	2,835,460	1,716,917
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in:			
Due from related parties	129,238	638,496	1,200,894
Financial assets at fair value through profit or loss	(687,659)	1,825,622	(1,934,639)
Other assets	(656,506)	56,237	612,546
Purchases of:			
Available-for-sale investments	(8,893,934)	(29,653,962)	(31,936,773)
Held-to-maturity investments	(618,148)	(5,022,820)	(8,218,861)

# Consolidated Statements of Cash Flows

(Amounts in Thousands of Pesos)

	<b>Years Ended December 31</b>		
	<b>2007</b>	2006 (As restated)	2005 (As restated)
Proceeds from:			
Sale of available-for-sale investments	<b>₱8,014,804</b>	₱30,383,864	₱31,756,676
Redemption of held-to-maturity investments	<b>802,924</b>	6,607,254	7,820,314
Disposal of investment properties	<b>192,008</b>	18,206	9,389
Interest received	<b>89,119</b>	428,021	406,683
Acquisitions of investment properties and property and equipment	<b>(937,024)</b>	(2,145,958)	(392,633)
Dividends received	<b>741</b>	–	–
Net cash provided by (used in) investing activities	<b>(2,564,437)</b>	3,134,960	(676,404)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in due to related parties	<b>(198,244)</b>	(1,622,790)	(1,518,520)
Interest paid	<b>(534,153)</b>	(900,383)	(743,305)
Proceeds from:			
Bills and acceptances payable	<b>545,488,524</b>	91,412,673	89,375,232
Long-term debt	<b>4,621,608</b>	1,128,227	6,225,676
Issuance of capital stock	<b>5,532,576</b>	–	–
Payments of:			
Bills and acceptances payable	<b>(545,438,624)</b>	(90,248,960)	(89,827,495)
Long-term debt	<b>(6,549,340)</b>	(1,955,745)	(2,865,125)
Dividends	<b>(119,163)</b>	(2,036)	–
Net cash provided by (used in) financing activities	<b>2,803,184</b>	(2,189,014)	646,463
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>6,223,035</b>	3,781,406	1,686,976
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>8,671,394</b>	4,889,988	3,203,012
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>₱14,894,429</b>	₱8,671,394	₱4,889,988





# FILINVEST

DEVELOPMENT CORPORATION

173 P. Gomez St., San Juan, Metro Manila, Philippines  
Tel. (632) 721-5624 Fax (632) 722-4797  
[www.filinvestgroup.com](http://www.filinvestgroup.com)

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