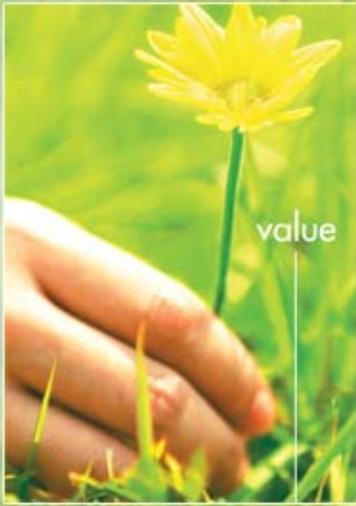
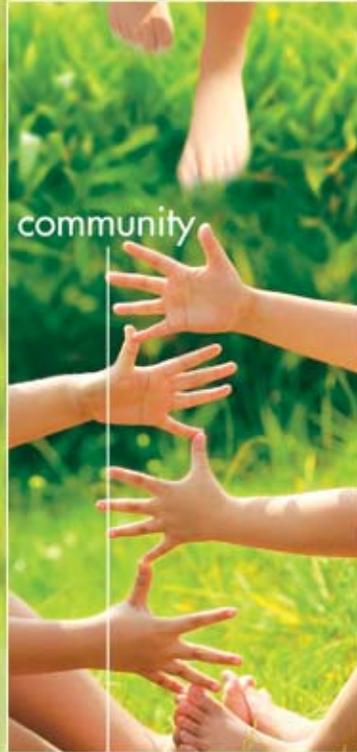


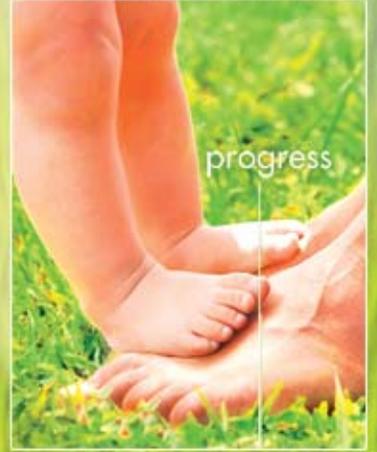
trust



value



community



progress

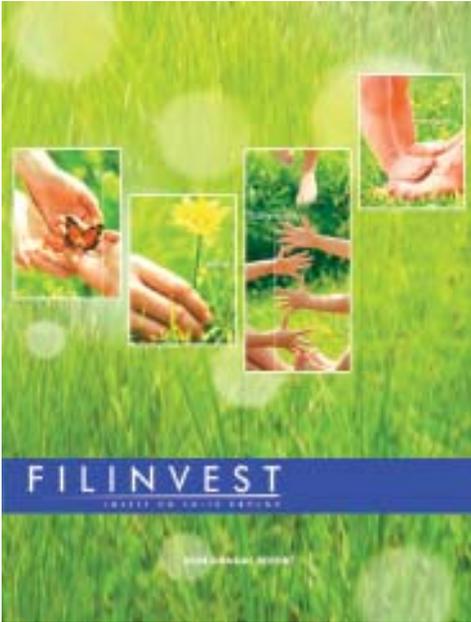
# FILINVEST

INVEST ON SOLID GROUND

2004 ANNUAL REPORT

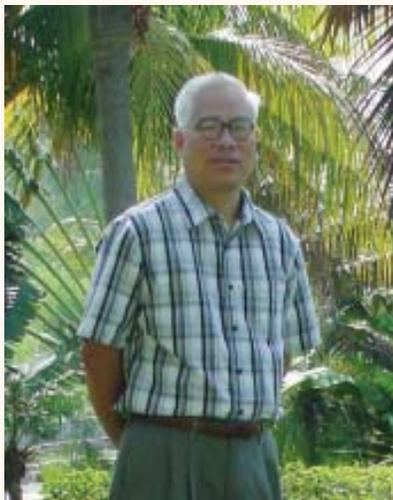
# Contents

Consolidated Financial Highlights	1
Joint Message	2
Operating Highlights	4
Board of Directors and Officers	12
Consolidated Financial Statements	13
2004 Consolidated Financial Statements	Inset



## our cover

**Foundations of Excellence.** Trust. Value. Community. Progress. These may well be the pillars that have placed Filinvest Development Corporation at the forefront of the country's property development industry. From humble beginnings half a century ago, the Filinvest Group forges ahead with the same dynamism, continuously evolving to remain competitive in today's volatile business landscape, while preserving the solid core values that have seen the company through the most challenging times.



The resiliency of the Philippine economy shone through in 2004, posting a 6.1% GDP growth, which was the highest since 1996. Exceeding government forecasts, this figure was well above the 4.7% expansion in 2003. Credit was given to small and medium enterprises as well as foreign investments generated from call centers and business process outsourcing (BPO) firms. The services sector contributed the most to GDP growth with all of its sub-sectors posting accelerated growths.



The real estate industry, which comprises Filinvest Development Corporation's (FDC) core business, posted a solid 6% growth in 2004, an improvement over the previous year's 4%. The heightened demand can be attributed to the increased confidence in real estate, anticipated price increases triggered by an inflationary environment affecting construction materials and the renewed banking support for the industry.

## Financial Highlights

FDC registered a net income of P541 million, up 223% from 2003 level of P167 million. This is the highest level since the trough level of P52 Million in 2002. The Company's consolidated assets stood at P76.9 billion at year-end 2004 compared to P67.6 billion in 2003.

Gross Revenues from sales of lots, condominiums and residential units grew by 44% in 2004 to hit P2.9 billion. This reflects the concerted effort among the subsidiaries to increase the group's market reach through product innovation, wider geographic reach, expanded sales distribution and product diversification. On the other hand, operating expenses of real estate operations were closely monitored and grew by only 3%.

## Continued Build Up of Recurring Income Base

Rental Revenue from retail and office space went up 25% to P864.2 million from the previous year's level of P691.2 million. The Filinvest Group's recurring income base has now reached 18% of revenues, up from P341.88 million or 8% contributed 5 years ago. With over 70,000 sqm of office space, the Group is a market leader in the office sector and is expected to strengthen its foothold in this sector due to its large land bank. With 28,000 sqm of new leases of BPO office space whose revenue will only be reflected in the books in 2005, contribution from rental revenues is expected to garner a larger share of the pie during years.

### **Controlled Debt Management**

Consolidated debt of the Group decreased slightly from P9.7 billion to P9.5 billion despite the additional development loans of P630 million obtained for new trading and recurring income projects. The Filinvest Group continues to maintain a conservative leverage policy with a debt equity ratio of 0.32:1.00 and with a maturity schedule now averaging four years. Its exposure to foreign currency debt has gone down to a net exposure of US\$2.5 million as of May 2005 from its high of US\$261 million in 1996. It is the intention of management to further trim down its corporate debt while focusing additional debt to finance new recurring income projects whose cash flows will carefully match the debt service of the development loans needed to build up its rental asset base.

### **Divestment of Non-Core Business**

In 2004, FDC divested its interest in Hocheng Philippines for US\$6.4 million. This is in line with its program of divestment of non-core businesses which started in 1997. As of date, FDC has already divested the majority of its non-core investments.

### **Outlook for 2005 and Beyond**

Management looks towards 2005 with cautious optimism in anticipation of the impact that government tax reform will have on the economy. The momentum set in 2004 and major breakthrough legislation such as the mining act, however, provide a good springboard for sustained growth both in the economy as well as with your Company.

The management would like to extend its gratitude for the continued support and patronage of its customers, shareholders, financiers, and employees.

**JONATHAN T. GOTIANUN**

Chairman

**L. JOSEPHINE GOTIANUN YAP**

President & CEO

# Operating Highlights

## FILINVEST LAND, INC.

[www.filinvestland.com](http://www.filinvestland.com)

Filinvest Land, Inc. (FLI) earned P596 million in net income for the year 2004, compared to P508 million in 2003, for a 17% growth. Total consolidated assets stood at P26.2 billion, while stockholders' equity hit P18.6 billion. In 2004, Filinvest Land, Inc. issued 5-year, P2.75 billion corporate notes, a testament to the banking industry's confidence and the group's impeccable credit track record.

Realized gross profit grew by 33% in 2004 compared to the previous year, due to higher sales booked in 2004. Booked sales grew 52%, from P1.47 billion to P2.24 billion.

The year 2004 saw the continued increase in sales for FLI in all its residential sectors with significant growth across all product lines. With the growing confidence in the property market within and



Futura house model

outside Metro Manila, the demand for quality housing remains. FLI experienced healthy growth of 48% in sales primarily in its affordable and middle income category.

Regional sales likewise experienced strong growth with the opening of Fuente de Villa Abrille in Davao City and Aldea del Sol, which was launched in Cebu last year. Both projects were enthusiastically received by the market.



Timberland Sports and Nature Club

Filinvest is making its presence felt in the northern, southern as well as eastern sectors of Greater Metro Manila through its extensive township developments.

Ciudad de Calamba, a 350-hectare township development in Calamba, Laguna was officially introduced to the market. Aside from its residential communities which enjoyed strong sales, other developments within the township are the *Commercio*, the business strip and the industrial estate, Filinvest Technology Park Calamba (FTPC), which welcomed six new locators this year.

Showing greatest promise is the 677-hectare Timberland Heights, just a 15-minute drive from Batasan Pambansa in Quezon City. The breathtaking view from the 350-meter elevation of Timberland Heights found so close to the Metropolis surprises many visitors to FLI's premier township. Timberland offers an array of products including the Mandala Residential Farm Estates which boasts of generous lot cuts and Tropical Asian-inspired homes that complement the mountain resort lifestyle. Geared towards agro-forestry, the development is envisioned to be a sustainable habitat where man and nature can harmoniously co-exist. As a residential product alternative, FLI offers Banyan Ridge for those who prefer purely residential use and smaller lot sizes than the farm estates. Sitting atop the highest crest of the township, Timberland Sports and Nature Club is a world-class family club with 12,000 sqm of indoor sports, recreational and social facilities on an 8-hectare elevated and rolling terrain setting.

Filinvest East County (FEC), your Company's premiere township development spanning Taguig, Angono and Antipolo in Rizal, continued to show an impressive performance. A major milestone for 2004

was the opening of San Beda College. FEC projects include a host of residential communities such as Highlands Pointe, Villa Montserrat, Manor Ridge, and Mission Hills. Another development slated for 2005 launching is Forest Farms, a 39.2-hectare community which stands approximately 200 meters above sea level. Its high altitude and cool mountain air make it a substitute for Tagaytay or Baguio, but without the long drive. Its unique feature is its forest cover with thick stands of old baete and acacia trees which create a serene sanctuary for those who are seeking an oasis near the city.

In leisure developments, the Laeuna de Taal lakeside resort community was launched in Talisay, Batangas during the first quarter of 2004. Nature-oriented, environmentally and culturally sensitive, the 60-hectare development starts from an elevation of 350 meters above sea level, and slopes gradually toward the lake frontage of 100 meters. Laeuna de Taal is initially offering two residential clusters, Bahia and Orilla, with a total of 130 lots ranging from 300 to 1,000 square meters. Each lot comes with an assigned membership share at the Lake Club. The club will showcase a boardwalk, conference facilities, a garden for functions, and a range of amenities for the family. It will also offer outdoor activities such as tours to Taal Volcano, hiking, kayaking, sailing and windsurfing.



Nusa Dua entrance



Laeuna de Taal

## FILINVEST ALABANG, INC.

[www.filinvestcorpcity.com](http://www.filinvestcorpcity.com)

Filinvest Alabang, Inc.'s (FAI's) net income for the year 2004 hit P231.9 million. This was a 162% increase from 2003. Its consolidated assets stood at P36.5 billion with year-end debt of P2.6 billion. A total of 44% of its gross revenues is derived from leasing operations of its lots, mall and office buildings.

A revitalized real estate industry spurred Filinvest Alabang, Inc.'s (FAI) development activities in Filinvest Corporate City (FCC), the 244-hectare satellite city and central business district in Alabang, Muntinlupa City.

There was a marked improvement in sales due to greater confidence from both investors and end-users of the various projects. In 2004, FAI sold a total of 1.7 hectares to corporate investors. A major acquisition was South Supermarket's purchase of a 7,401-sqm lot near Westgate Center.

The residential lots of Palms Pointe already generated inquiries even before the official launch in January 2004. Located in Laguna Heights, right across The Palms Country Club, Palms Pointe offers 148 prime lots within a peaceful gated community. Land development will be completed by the first quarter of 2005, in time for the start of the turnover of lots to the buyers in April 2005.

### *High-rise Projects*

FAI's three condominium developments were substantially sold out in 2004, paving the way for the launching of three new projects.

West Parc's 15-storey Alder Building was 95% sold at the end of December 2004. Construction is now in full swing with the structural topping-off expected in April 2005. Encouraged by the success of Alder, FAI launched Birch Building in June 2004. Offering the same features and amenities as the first building, Birch was also warmly accepted by the market.



FCC entrance marker



Vivant Flats

FAI introduced the Shared Development concept with the 17-storey Vivant Flats, now under construction along Parkway Avenue in FCC. Topping-off ceremonies for the building were held in December 2004. Turnover of units is scheduled for June 2006. Following the success of Vivant Flats, La Vie, the second tower in The Flats community, is scheduled for launching in the 2<sup>nd</sup> quarter of 2005 and enthusiastically awaited.

2301 Civic Place, another Shared Development project, was fully subscribed in 2004. Construction of the 12-storey structure started in June 2004 and remains on schedule for the structural topping-off in June 2005. The enthusiastic market response caused the project value to appreciate rapidly even before its completion. From the original selling price of P60,000- P65,000/sqm in April 2003, the ground floor units were sold at P80,000 – P85,000/sqm in August 2004.

Encouraged by the success of 2301 Civic Place, FAI is launching another innovative project called Civic Prime. Located right across Festival Supermall, near South Station, the 10-storey building will adopt the Small Office-Home Office (SOHO) concept by offering studio units zoned for commercial, office or home office use.

### Westgate Center

A total of 17 lot and building leases were awarded in 2004, further establishing Westgate Center as an alternative lifestyle and recreation venue in Alabang. The 9.5-hectare development features a master-planned retail, dining and entertainment concept in a park-like setting. Westgate Center now has 39 locators, taking up 82% of the total gross leasable area. The Center is anchored by PriceSmart and the Westgate Alabang Home Depot which will open its doors by the third quarter of 2005.



Westgate Center

Among the new lessees and those scheduled to open soon are Gymboree, Belo Medical Group, UCC Coffee, Suriya Spa, Via Mare, and Zong Chinese Restaurant.



Civic Prime

### South Station

South Station, the transport terminal and bargain center near the Muntinlupa public market, launched its retail component with the soft opening of the first cluster building in December 2004. Leasehold rights for the ground floor have all been taken up and leasing of the second and third levels is underway. The second cluster building is scheduled to break ground in the latter part of 2005.

### Leisure

The Palms Country Club generated P126 million in revenues with an additional 155 shares sold in 2004. Now operating for over two years, The Palms has consistently received positive feedback from its members and has become the preferred venue for social and business events in the south.

## FESTIVAL SUPERMALL

[www.festivalsupermall.com](http://www.festivalsupermall.com)

In 2004, Festival Supermall remained the undisputed regional shopping center south of Metro

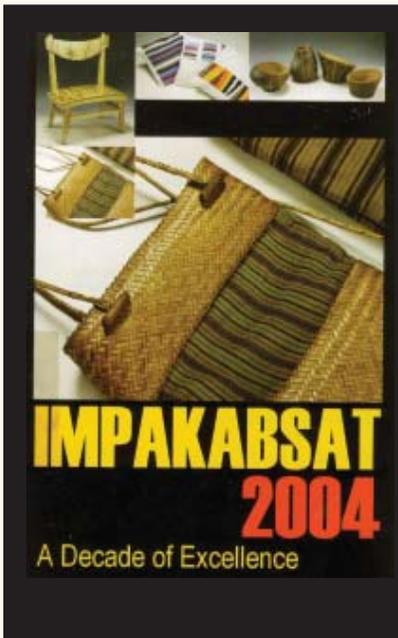
Manila with a tenant roster of over 600 stores. Tenant sales grew by 33% while Earnings Before Interest, Taxes and Depreciation from the mall grew by 20% from P395 million to P473 million.

Topping the major developments in Festival Supermall was the entry of three new anchor tenants: Savemore Supermarket, Robinson's Department Store and Handyman Home Center. The food court area

was refurbished to provide diners a more pleasurable dining experience while at the same time accommodating much sought-after retail space by reducing the dining area to optimize rental revenues.

A new retail concept was introduced on the 3<sup>rd</sup> level with Treasure Trove. The area was transformed into a lifestyle and novelty section with smaller shops geared to the display of specialty products by creative entrepreneurs. Additional concepts planned for 2005 include The Water Garden area which will feature plant stores and alfresco dining, and the Festival Walk which will be a strip of restaurants on the second level. More areas are expected to be redesigned in the future to enable the mall to appeal to the varied interests of shoppers.

To celebrate its seventh anniversary in 2005, the company plans to re-launch the mall through a major advertising campaign as well as through new bold and colorful outdoor visual merchandising.



Trade fair



Halloween activity

## FILINVEST ASIA CORPORATION

PBCom Tower, the country's tallest office tower standing 52 storeys, is a development of Filinvest Asia Corporation (FAC) in joint venture with the Philippine Bank of Communications. FAC is a joint venture between FDC and Reco Herrera Pte. Ltd., an investing vehicle of the Government of Singapore Real Estate Ltd. FAC registered a net income of P51.85 million, up 361% from the 2003 level of P11.24 million.

In 2004, FAC achieved close to 100% occupancy for its total space owned in PBCom Tower. This was attributed to the major take-up of office space by HSBC, Crescent International (Citibank call center),



PBCom Tower

as well as the expansion of Daksh E-Services which is an Indian call center recently acquired by IBM.

A stable occupancy level is expected for PBCom Tower because of the tenants' long-term leases and the decision of HSBC to maintain its presence in Makati City beyond the opening of the HSBC building in Alabang. With the dwindling supply of prime office space in Makati, rental rates improved in 2004, thereby generating bigger rental revenues for the company.

## CYBERZONE PROPERTIES, INC.

[www.northgate-cyberzone.com](http://www.northgate-cyberzone.com)

Convergys Corporation, the world's largest provider of integrated billing, customer care and employee services, moved into its 6,000-sqm building in Northgate CyberZone ahead of schedule and started operations in August 2004. Topping-off ceremonies were held in November for the 5-storey building to be occupied by HSBC Electronic Data Processing (Phils.), Inc. by the 3<sup>rd</sup> quarter of 2005. Both companies entered into "Build to Suit" arrangements with Cyberzone Properties, Inc. (CPI) for their contact center operations.

In 2004, Plaz@ B welcomed two new tenants engaged in disaster recovery for international banks. With the occupancy for Plaz@ B and C buildings at 97% and the rental revenue for Convergys underway, EBITDA of CPI grew by 402% from P14.41 million in 2003 to P72.36 million in 2004.



HSBC building



Convergys call center

## EAST WEST BANKING CORPORATION

[www.eastwestbanker.com](http://www.eastwestbanker.com)

2004 marks the 10<sup>th</sup> year of East West Bank's existence. It



Angeles branch inauguration



Tomas Morato branch inauguration

is also another banner growth year for the bank. In a year which saw the commercial banking industry grow by less than 14%, the bank grew by 22% and ended the year with total resources of P22.6 billion. The 2003 level was at P18.4 billion. This significant increase in resources was funded mostly by the 29% increase in deposits – from P14.2 billion in 2003 to P18.3 billion in 2004. Notably, a significant part of the deposit increase came from low cost deposits which grew by 50%.

Deposits and the net cash flow from the bank's operations for the year were invested in liquid government and other securities which grew by 102% to a 2004 year-end level of P5.3 billion. Loans, on the other hand, expanded at a modest rate of 12% from P9.9 billion in 2003 to a level of P11.1 billion in 2004 as the market adopted a "wait-and-see" attitude for most of the year. In line with the bank's vision of becoming the consumer bank of choice to its selected market, the loan mix continued to steadily shift from a predominantly "corporate" profile to a "consumer" one. Consumer loans comprised 35% of total loans in 2004; up from a 30% share in 2003. In spite of this shift, the non-performing loans ratio declined to a low 9% against 11% in 2003.

The movements in the balance sheet during the year resulted in a marked improvement in the bank's liquidity position, asset profitability, funding mix and the risk profile of both its assets and liabilities.

### *Modest Profitability*

The bank's consolidated net income for 2004 was P34.1 million. Although the net interest ratio was retained at 40%, the 2004 net income is lower than the 2003 level of P81.9 million due to the bank's shift to full expansion mode and the corresponding accelerated amortizations of certain deferred charges and other assets as required by new accounting pronouncements. During the year, significant infrastructure and technological investments were made and the bank's manpower complement was beefed-up as 10 new Personalized Banking Centers (PBC's) were opened and new major business segments—Credit Card and Vehicle Financing—were fully launched.

### *Service Expansion*

Service reach of the bank continued to expand in 2004 with the opening of 10 PBC's which contributed P776 million to the deposit growth realized during the year. This brings the number of the bank's PBC's to 65.

Relatively low-cost transactional fund sources were boosted through the introduction of product innovations like the Term Savings Account which practically gives depositors the ability to "customize" their accounts to fit their needs by offering interest rates that are tied to volume and length of term.

### *Consumer Financing*

The bank strengthened its position in the consumer financing arena with the full launch of its vehicle financing and credit card products. The year saw the incorporation of East West Finance and Leasing Corporation (EWFLC), a wholly-owned subsidiary and the marketing arm of the bank for vehicle financing. In its first year of operations, EWFLC was already able to generate over P1 billion pesos in vehicle loans. The East West Bank MasterCard, the



Westgate Center branch

bank's first credit card, was launched in June 2004. Positioned as the "best for basics" credit card, the EWB MasterCard is the only credit card that offers two separate interest rates depending on the type of purchase or merchant category. These interest rates are also the lowest in the market. The card also offers the lightest minimum amount due at 3.5% of the total

outstanding balance and the longest interest-free credit period of up to 54 days.

#### *Leveraging on Technology*

Technological innovations and technology support were further enhanced in 2004. Several automated systems that improved customer service and efficiency were put in place or were upgraded. Some of these are the *On-Line Signature Imaging System*, *Central Liability System* and the *Data Warehouse System*. Continuous improvements to the bank's core banking systems and web-based applications were also made during the year as the bank further leveraged on technology as a competitive strength.

East West Bank's internet website, [www.eastwestbanker.com](http://www.eastwestbanker.com), has been voted the Best Website under the Banking & Finance Category in the 2004 Philippine Web Awards. The bank's website was also a finalist in the *Microsoft Windows Server Best of the Web Special Awards* Category.



# Board of Directors

(From left)  
**Andrew L. Gofianun, Sr.**  
Chairman Emeritus

**Mercedes T. Gofianun**  
Director

**Andrew T. Gofianun, Jr.**  
Director

**Josephine G. Yap**  
Director & President-CEO

**Jonathan T. Gofianun**  
Chairman



## Subsidiary Heads



(From left)  
**Erey T. Ramos**  
President  
East West Banking Corporation

**Efren C. Gutierrez**  
President  
Filinvest Alabang, Inc.

**Joseph M. Yap**  
President  
Filinvest Land, Inc.

## Senior Management

**Josephine G. Yap**  
President & CEO

**Nelson M. Bona**  
Sr. Vice President & Treasurer

**Michael T. Gofianun**  
Vice President

**Abner C. Gener**  
Corporate Secretary

# Consolidated Balance Sheets

(In Thousands of Pesos)

	December 31	
	2004	2003 (Asrestated)
<b>ASSETS</b>		
Cash and Cash Equivalents	₱3,241,459	₱3,244,375
Receivables - net	4,407,505	3,755,723
Receivable from Customers - net	9,109,426	8,249,129
Subdivision Lots, Condominium and Residential Units for Sale	9,236,984	9,044,753
Investments - net	6,553,877	4,080,263
Land and Land Development	17,484,281	16,905,880
Property and Equipment - net	24,747,572	19,779,016
Deferred Tax Assets	483,037	560,901
Other Assets - net	1,613,654	2,029,397
<b>TOTAL ASSETS</b>	<b>₱76,877,795</b>	<b>₱67,649,437</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Deposit Liabilities	₱17,409,720	₱13,697,038
Accounts Payable and Accrued Expenses	4,902,729	5,086,583
Income Tax Payable	215	156
Deferred Tax Liabilities	7,075,710	5,167,501
Notes Payable	-	4,741
Long-term Debt	8,306,953	8,336,977
Bonds Payable	1,228,170	1,347,303
Unrealized Gross Profit on Installment Contracts Receivable, Sales of Condominium Units and Club Shares	209,592	258,753
Estimated Liability for Land and Property Development	493,436	622,878
<b>Total Liabilities</b>	<b>39,626,525</b>	<b>34,521,930</b>
<b>Minority Interest</b>	<b>7,847,448</b>	<b>7,263,374</b>
<b>Stockholders' Equity</b>		
Capital stock	5,958,124	5,958,124
Additional paid-in capital	2,099,874	2,099,874
Revaluation increment in land	11,188,323	8,222,501
Retained earnings	10,215,824	9,674,576
Net unrealized loss on decline in value of noncurrent marketable equity securities	(34,103)	(66,722)
Treasury stock	(24,220)	(24,220)
<b>Total Stockholders' Equity</b>	<b>29,403,822</b>	<b>25,864,133</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>₱76,877,795</b>	<b>₱67,649,437</b>

# Consolidated Statements of Income

(In Thousands of Pesos, Except Earnings Per Share)

	Years Ended December 31		
	2004	2003	2002
<b>REVENUE</b>			
<b>Real Estate Operations</b>			
Sale of lots, condominium and residential units and club shares	₱2,910,466	₱2,021,722	₱1,999,847
Cost of sale of lots, condominium and residential units and club shares	(1,329,253)	(750,897)	(928,717)
Gross profit	1,581,213	1,270,825	1,071,130
Mall and rental revenues	864,233	691,239	591,713
Realized (deferred) gross profit	46,148	(56,694)	142,459
Other income	1,088,035	1,252,402	802,333
	<b>3,579,629</b>	<b>3,157,772</b>	<b>2,607,635</b>
<b>Financial and Banking Services</b>			
Interest income	1,117,639	984,302	858,080
Other income	564,145	475,776	378,013
Cost of financial and banking services	(922,140)	(786,974)	(624,393)
	<b>759,644</b>	<b>673,104</b>	<b>611,700</b>
<b>NET REVENUES</b>	<b>4,339,273</b>	<b>3,830,876</b>	<b>3,219,335</b>
<b>Operating Expenses</b>			
Real estate operations	2,034,441	1,971,724	2,105,935
Financial and banking services	983,516	805,437	701,507
	<b>3,017,957</b>	<b>2,777,161</b>	<b>2,807,442</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>1,321,316</b>	<b>1,053,715</b>	<b>411,893</b>
<b>PROVISION FOR INCOME TAX</b>			
Current	100,687	16,680	76,523
Deferred	430,546	610,961	27,285
	<b>531,233</b>	<b>627,641</b>	<b>103,808</b>
<b>INCOME BEFORE NET EARNINGS APPLICABLE TO MINORITY INTEREST</b>	<b>790,083</b>	<b>426,074</b>	<b>308,085</b>
<b>NET EARNINGS APPLICABLE TO MINORITY INTEREST</b>	<b>248,835</b>	<b>258,584</b>	<b>256,058</b>
<b>NET INCOME</b>	<b>₱541,248</b>	<b>₱167,490</b>	<b>₱52,027</b>
<b>Earnings Per Share</b>			
Basic	₱0.091	₱0.028	₱0.009
Diluted	0.091	0.028	0.009

# Consolidated Statements of Changes in Stockholders' Equity

(In Thousands of Pesos)

	Capital Stock	Additional Paid-in Capital	Revaluation Increment in Land	Retained Earnings	Net Unrealized Loss on Decline in Value of Noncurrent Marketable Equity Securities	Treasury Stock	Total
<b>BALANCES</b>							
<b>AT JANUARY 1, 2002 (As restated)</b>	<b>P5,958,124</b>	<b>P2,099,874</b>	<b>P8,193,380</b>	<b>P9,455,059</b>	<b>(P73,255)</b>	<b>(P24,220)</b>	<b>P25,608,962</b>
Net income for the year	-	-	-	52,027	-	-	52,027
Recovery in value of noncurrent marketable equity securities	-	-	-	-	26,553	-	26,553
Revaluation increment in land	-	-	29,121	-	-	-	29,121
Decline in market value of noncurrent marketable equity securities	-	-	-	-	(10,385)	-	(10,385)
<b>BALANCES</b>							
<b>AT DECEMBER 31, 2002 (As restated)</b>	<b>5,958,124</b>	<b>2,099,874</b>	<b>8,222,501</b>	<b>9,507,086</b>	<b>(57,087)</b>	<b>(24,220)</b>	<b>25,706,278</b>
Net income for the year	-	-	-	167,490	-	-	167,490
Decline in value of noncurrent marketable equity securities	-	-	-	-	(12,232)	-	(12,232)
Recovery in value of noncurrent marketable equity securities	-	-	-	-	2,597	-	2,597
<b>BALANCES</b>							
<b>AT DECEMBER 31, 2003 (As restated)</b>	<b>5,958,124</b>	<b>2,099,874</b>	<b>8,222,501</b>	<b>9,674,576</b>	<b>(66,722)</b>	<b>(24,220)</b>	<b>25,864,133</b>
Net income for the year	-	-	-	541,248	-	-	541,248
Recovery in value of noncurrent marketable equity securities	-	-	-	-	32,619	-	32,619
Revaluation increment in land	-	-	2,965,822	-	-	-	2,965,822
<b>BALANCES</b>							
<b>AT DECEMBER 31, 2004</b>	<b>P5,958,124</b>	<b>P2,099,874</b>	<b>P11,188,323</b>	<b>P10,215,824</b>	<b>(P34,103)</b>	<b>(P24,220)</b>	<b>P29,403,822</b>

# Consolidated Statements of Cash Flows

(In Thousands of Pesos)

	Years Ended December 31		
	2004	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱1,321,316	₱1,053,715	₱411,893
Adjustments for:			
Interest expense	1,567,409	1,286,010	1,407,509
Depreciation and amortization	359,215	221,914	180,606
Provision for probable losses	60,464	86,680	86,366
Interest income	(1,323,117)	(1,288,430)	(1,140,183)
Operating income before changes in operating assets and liabilities	1,985,287	1,359,889	946,191
Decrease (increase) in:			
Receivables	(845,279)	254,608	(500,538)
Receivable from customers	(883,364)	(866,970)	(598,618)
Subdivision lots, condominium and residential units for sale	(192,231)	(836,983)	(964,045)
Increase (decrease) in:			
Deposit liabilities	3,712,682	2,912,996	3,165,978
Accounts payable and accrued expenses	125,650	(903,219)	(365,270)
Unrealized gross profit on installment contracts receivable, sales of condominium units and club shares	(49,161)	49,822	(156,141)
Net cash generated from operations	3,853,584	1,970,143	1,527,557
Interest received - banking and financial services	1,601,832	1,283,326	945,983
Interest paid - banking and financial services	(1,012,952)	(761,775)	(587,037)
Income taxes paid	(100,869)	(131,275)	(71,027)
Net cash provided by operating activities	4,341,595	2,360,419	1,815,476
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received - real estate	282,640	187,216	906,613
Decrease (increase) in:			
Land and land development	(578,401)	(552,930)	742,001
Investments	(2,473,614)	(500,627)	(1,427,421)
Other assets	230,183	412,158	(22,506)
Net acquisitions of property and equipment	(758,946)	(155,247)	(193,375)
Net cash used in investing activities	(3,298,138)	(609,430)	5,312
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from (payment to) long-term debt, notes, loans, bills and acceptances payable	(153,898)	161,997	512,492
Interest paid - real estate	(892,475)	(791,136)	(1,013,826)
Redemption of bonds	-	-	(1,738,205)
Increase in minority interest	-	-	392,132
Net cash used in financing activities	(1,046,373)	(629,139)	(1,847,407)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,916)	1,121,850	(26,619)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	3,244,375	2,122,525	2,149,144
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	₱3,241,459	₱3,244,375	₱2,122,525



# 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)