

*ANNUAL REPORT 2002*

*FILINVEST LAND, INC.*

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## VISION STATEMENT

### MISSION

The primary responsibility of Filinvest Land is to the people that inhabit the cities, communities and homes which it has created. Filinvest will continually contribute to the economic development of society and will function as a good corporate citizen.

### OBJECTIVES

Filinvest shall provide its customers with universally competitive products that are valued not only for quality but in terms of affordability for all income levels. Only through research & development, innovation and the use of appropriate technology can high quality services be provided.

Affordable housing shall always be a high priority in company endeavors. Coupled with safeguarding and maximum utilization of company assets, this long-term view (one of holding permanent the strategic health of Filinvest) should lead to better and sounder returns for stockholders.

The continuous pursuit of this mission can only result in industry leadership.

### SHARED VALUES

In the delivery of service to these people, high quality will be the one and only standard.

A singularity of interest exists between the company and its employees, providing good working conditions, compensation based on performance, opportunity for growth and employment securities are musts.

Innovation, professionalism and teamwork are highly valued. The highest standards of business and moral ethics shall be exercised.

The long term strategic health of Filinvest will always be paramount over short term financial gains.



## FINANCIAL HIGHLIGHTS

(Amounts In Thousands Of Pesos, Except Earnings Per Share Accounts)

	2002	2001	2000
<b>Operating Results</b>			
Revenues	1,152,723	1,080,626	1,104,895
Net Income	504,114	531,231	573,218
Return on Assets (ave.)	2%	2%	2%
Return on Equity (ave.)	3%	3%	3%
<b>Financial Position</b>			
Total Assets	23,546,176	25,289,033	24,939,789
Total Long-term Debt	3,269,004	4,942,350	5,201,004
Stockholders' Equity	17,702,890	17,246,634	16,715,403
No. of Shares Issued and Outstanding ('000)	7,819,261	4,226,627	4,226,627
Debt to Equity*	18%	29%	31%
Net Debt to Equity**	18%	20%	28%
<b>Per Share Data</b>			
Primary Earnings	0.066	0.069	0.075
Fully Diluted Earnings Per Share	0.061	-	-

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

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

\*\*\* The convertible bonds have anti-dilutive effect on the Company's earnings per share in 2001 and 2000.





## MESSAGE TO SHAREHOLDERS



Despite the continuing economic and political uncertainties, your Company again relied on its key strengths and resilience to achieve its major objectives in 2002.

Filinvest Land, Inc. (FLI) started the year 2002 with a major achievement. In February, your Company paid off its \$100 million SUPeR Guaranteed Convertible Bonds. By paying this debt on time, your Company not only eliminated all foreign currency exposure, it also reduced its long term debt level to P3,269.0 from its Dec. 31, 2001 level of P4,942.4 Million. Our debt equity ratio was likewise reduced from 0.29:1 to 0.19:1. Paying off such a large amount of debt is not an easy task; especially, under such trying economic times. It highlights your company's total commitment to honoring its obligations and maintaining its 50 years of integrity and excellent credit track record.

By effectively handling and reducing your Company's debt level, FLI continued to maintain its "Aa" rating by the Phil. Ratings Services Corp. (PhilRatings). The rating also reflects your Company's established business franchise and good asset quality, as well as its strong cash flow generation and sales generation capability. Despite the still slow recovery in the economy and in the property sector, your Company has managed to chalk up a relatively stable revenue as well as maintain its earnings performance.

### Financial Highlights

Sales improved slightly in 2002 with journalized real estate sales of P1,653.6 Million compared with P1,540.02 Million reported in 2001, for an increase of 7.4%. Realized gross profit also increased as a

result of an increase in realized gross profit from prior year's sales, due mainly to the rediscounting of certain receivables. Realized gross profit hit P1,073.9 Million, up 4% from P1,032.7 Million in 2001. Income before income tax increased by 8.7% from P621.3 Million to P675.5 Million. However, as a result of a much larger net income tax provision of P171.4 Million, compared to P90.1 Million in 2001, net income after tax fell from P531.2 Million to P504.1 Million.

Total assets of your Company stood at P23,546.2 Million in 2002, down from P25,289.0 Million as cash and receivables from affiliated companies were drawn down to pay the \$100 Million Convertible bond issue due in February 2002. With the payment of the foreign currency denominated debt, long term debt was reduced by P1,673.3 Million to P3,269.0 Million.

### Focusing On Our Core Strength

Filinvest Land, Inc. continues to build on and strengthen its focus on its core business in basic housing. Despite the economic and political uncertainties brought about by the Sept. 11, 2001 terrorist attack and the war in Afghanistan, FLI continued to cater to a broad spectrum of residential and housing markets. A carefully targeted expansion program calls for the selective offering of new phases in existing projects in order to increase inventory turnover without requiring substantial capital expenditure. Among these are: Vista Hills 2 in Calamba, Laguna, the Tropics in Cainta, Rizal, and Sta. Cecilia in Mission Hills, Antipolo. In addition, new product lines were selectively launched in order to

target certain niche markets. The new product lines introduced were Nusa Dua Farm Estates in Tanza, Cavite, a residential community for the gentleman farmer and the Village Front, the commercial cluster complementing Brentville International in Mamlasan, Biñan.

#### Responding to Government Challenge

In 2002, the Philippine government under President Gloria Macapagal Arroyo launched an 8-point economic program in order to jump start the economy. Housing is identified as one of the primary vehicle for pump-priming the economy. In support of this objective, your Company has pledged to build at least 20,000 housing units in the next three years. In order to meet this objective, Filinvest Land Inc. is undertaking certain major reengineering initiatives in the way it does business.

For business development and marketing, your Company has refined its Business Unit concept, turning the larger business units into smaller more focused project-driven groups. Product categories have been split and spun off into independent business units, with its own organization as well as autonomy and responsibility for contributing to your Company's profitability while efficiently developing their respective projects.

On the operational side, your Company continues to remake itself in order to become more efficient and to maintain its competitiveness. Currently, your Company is implementing a fully integrated Enterprise Resource Planning (ERP) software system under SAP. Once completed, this migration to SAP will streamline and integrate operational

procedures, resulting to faster turn-around time in delivering the desired services to our client.

#### Looking Forward

The year 2003 offers opportunities as well as challenges to FLI. Your Company remains cautiously optimistic. It will continue to rely on its sound financial base and its core strengths to develop premier residential subdivisions and to build quality homes for the Filipino family. With the backing and support of our employees and stockholders, we are confident that we will be able to maximize the opportunities that lie ahead.

We thank you, our valued stockholders and friends, for your continued support as we exert greater efforts in maintaining our competitive edge in the real estate industry.



A handwritten signature in black ink, appearing to read 'Mercedes T. Gotianun'.

**MERCEDES T. GOTIANUN**  
*Chairman & CEO*

A handwritten signature in black ink, appearing to read 'Joseph M. Yap'.

**JOSEPH M. YAP**  
*President & COO*



## OPERATIONAL HIGHLIGHTS

### Residential Property Development

Filinvest Land, Inc. (FLI) highlighted the year 2002 with the launch of additional new communities. Spanning the economic spectrum, the projects were specifically targeted at niche markets where demand remains strong. Despite the socio-economic uncertainties of the time, FLI launched the following projects: VISTA HILLS 2 in Calamba for the affordable and lower middle-income market, THE TROPICS for the mid-range Corte Bella market, THE CLASSIQUES and THE VILLAGE FRONT commercial area at Brentville International for the high-end, and the formal launch of the residential farm estate, NUSA DUA, in Tanza, Cavite.

along classic Mediterranean architectural lines and feature generous living space in its versatile floorplans. Public response was



The Village Front

enthusiastic, with two of the three model homes sold within three months from the official launch date.

THE VILLAGE FRONT, Brentville's commercial center, was also formally launched in 2002. The first building at THE VILLAGE FRONT is now complete, with the ground floor now being offered for lease to selected tenants and the second floor serving as the sales office. The commercial center will offer a choice of tenant mix such as cafes, laundromats, convenience shops, supermarkets and others to cater to the essential needs of the residents and transients.

To energize the development of a lived-in community, FILINVEST EAST COUNTY, FLI's township development in Rizal, introduced new house and lot packages in Mission Hills, Highlands Pointe and Sta. Cecilia. Home models featured were Iris and Diana for Sta. Catalina in Mission Hills; Belle and Therese for Sta. Cecilia and Iris Uphill for Highlands Pointe.

Highlight of the year was the formal agreement forged between FLI and San Beda College. Under the Memorandum of Agreement (MOA) signed by both parties, FLI donated 10 hectares of property inside FEC where San Beda will build its satellite school. The school is slated to open beginning June 2004. As the first Benedictine presence in the province of

The Classiques Model Homes



### Excelion

PROMINENCE I marked a major milestone when it reached 100% development. With all of its townhouse units sold, PROMINENCE I was officially handed over by FLI to its homeowners' association in October 2002.

THE CLASSIQUES, Brentville's single-detached luxury home series, opened with three model homes: Alexandria, Larissa and Kassandra. All three were designed

Rizal, San Beda Rizal is expected to bring quality education to FEC and the surrounding communities.



In May 2003, Brentville will open the main clubhouse to its select group of loyal clients. With 289 sqm. of space for leisure and recreation facilities such as the multipurpose hall, swimming pool, basketball court and function room, the main clubhouse is expected to enhance the lifestyle experience of the Brentville homeowner.

The development of Prominence II continues at a fast pace. Designed along the same classic Mediterranean architecture of Prominence I, the new Prominence II features both townhomes and 12 units of single-detached houses. An added feature is that foreigners can buy and register the Prominence II single detached homes of their choice under their own name through the Certificate of Condominium Title (CCT). Beginning in 2003, Prominence II buyers will be given the privilege to use the first-class amenities of The Palms Country Club, a "resort-within-the-city" family club located within the Filinvest Corporate City in Alabang, Muntinlupa. The Palms offers a complete range of facilities for health, recreation, dining and business, making it the venue of choice for spending time with family and entertaining business colleagues and friends.

### Corte Bella

Since its launching, ALDEA VERDE, the newest sub-community of Serra Monte Villas in Quezon City continues to enjoy brisk sales in the middle-income market. To date, majority of its inventory has been sold. Its open space amenities are also nearing completion.

La Mirada of Serra Monte Mansions in Cainta, Rizal has completed its open space amenities in an area dubbed as the "La Mirada Community Circle". This area is seen as the neighborhood recreational and leisure center, where residents can unwind with family and friends.

Another Corte Bella project that received a warm reception is THE TROPICS. Located in Cainta, Rizal, this garden paradise is designed to enhance the family experience in a natural environment,



making it conducive to children's growing-up years.

Bannering the year was Corte Bella's new CASA CIELO home models of Athena, Daphne and Diana. Designed to meet market demand for fresh designs, these affordable homes have spacious and flexible floorplans, making them the latest homes of choice for those with growing families.

### Socialized & Affordable Housing

Throughout 2002, developments continued in various affordable projects. WOODVILLE in Gen. Trias, Cavite and VISTA HILLS I in Calamba, Laguna saw their respective main entrances completed, while CRYSTAL AIRE's Tree Park recreational area opened for the residents' use in Gen. Trias, Cavite. Tree Series model units were also constructed in WOODVILLE and PRIMROSE, while phase 2 of SPRINGFIELD VIEW in Tanza, Cavite broke new ground when its land development began.

For 2003 a new line of improved Tree Series house models are slated to be launched. Consisting of Aspen (157.5sqm), Walnut (115.8sqm), Molave (90.50 sqm) and Narra (58.65 sqm), these new models are set to be launched in BLUE

### Farm Estates

The Bali-themed NUSA DUA in Tanza, Cavite had a very successful launch early in

Nusa Dua Farm Estate



2002, with 25% of lots in phases 1 and 2 sold in the first few weeks alone. Market interest was sustained by continuous activities such as the Greenthumb Guide lecture series, Harvest Days, exhibits and farm tours onsite.

In the works for 2003 is a demo farm within the Filinvest Corporate City in Alabang, Muntinlupa City, bringing the concept of leisure farming closer to prospective buyers.

New developments slated for NUSA DUA in 2003 include setting up parks and playgrounds and finishing the entry market, entrance gate and amenities area in time for the buyers' expected move-in by the first quarter of the year.

### Regional Developments

In the regions, CORONA DEL MAR in Cebu and ORANGE GROVE in Davao continue to generate significant sales.

For 2003, operations are going full-blast to complete development of these projects. For ORANGE GROVE, two additional phases (Phase 3 and 4) were opened for sale. Affordable house and lot packages are being planned for phase 4, with only 16 units of these to be offered.

### International Sales

The global economic slowdown contributed to the softening of our overseas

Crystal Aire Tree Park



GRASS in Batangas, WOODVILLE, CRYSTAL AIRE and FAIRWAY VIEW, all in Cavite.

Other plans include the development of "Brookside Lane", CRYSTAL AIRE's commercial area; finalizing the masterplan for the Batangas projects and the launch of new projects in the north and east.

market, which affected our international sales efforts. However, new markets in France and in the United Kingdom were



Redwood House Model

opened up with a total of P20 million in sales of affordable housing during our initial selling operation.

To strengthen our overseas marketing, plans being drawn up for 2003 include: exploring and forging links with remittance firms and banks to introduce Filinvest projects to their clientele of overseas Filipino workers (OFWs); the reactivation of existing broker and agent networks as well as boosting recruitment efforts; implementing selling activities in countries such as Italy, the Middle East, the Netherlands and other European countries where there is a strong OFW presence.

#### Other Property Developments Industrial Estates

The FILINVEST TECHNOLOGY PARK CALAMBA (FTPC) was formally registered with the Philippine Economic Zone Authority (PEZA) as a Special Economic Zone, after President Gloria Macapagal-Arroyo signed Presidential Proclamation No. 155 declaring the estate as one. Later, PEZA approved FTPC's application as an Ecozone Facilities Enterprise, giving it the right to develop Ready-Built Factories (RBFs) for lease on-site. Currently, the existing RBF, a 1,856 sqm. duplex structure, is already completed and is partially occupied.

FTPC inked an agreement with its first locator, Philippines Dong Yun Plate Making

Corporation, for the purchase of a 1.3 hectare property where the latter will base its facilities. A mainland China-based operating company, PDY Corporation is engaged in high-technology laser engraving; they are expected to begin operations by June 2003.

Development-wise, the land development of FTPC's phase 1 is complete including the entrance area and theme wall. Basic utilities such as power, water and wireless telecommunications are also now available.

FTPC is set to complete its transition from development to operations by 2003. In line with this, the Marketing Agency Agreement between FTPC and Nissho Iwai Corp. for the exclusive marketing rights to the Japanese market has been extended.



Technopark Ready-Built Factory

Parallel to this are increased efforts to tap the domestic market, which is showing stronger potential for 2003.

#### Investments in Other Property Developments

##### Leisure

In the pipeline for the FLI's leisure component in 2003 are plans for: a club resort in Tagaytay, a nature and sports club in the foothills of the Sierra Madre in Rizal.

**Filinvest Alabang, Inc.**

The marked improvement of the investment climate in 2002 spurred development activities in FILINVEST CORPORATE CITY (FCC), the 244-hectare satellite city and central business district in Alabang, Muntinlupa City.

Filinvest was able to close the sale of a 2,201-square meter lot in SPECTRUM BUSINESS DISTRICT. For the commercial retail block along Alabang-Zapote Road, the Caltex gas station recently started operations and two major car dealers are expected to begin construction of their showrooms in 2003.

WESTGATE CENTER, FCC's masterplanned, mixed-use development, was formally launched to the business community in the 2nd quarter of 2002.



Land development for the 9.5-hectare WESTGATE CENTER was finished during the year and the Auto Precinct sector was completely leased out to car showrooms, accessory shops and service centers. New locators that came in included the major retail anchor PriceSmart, Congo Grill, Bargo Sports Bar and Restaurant, Steak Factory by Melo's, Cinnabon, Yokohama Tire Gallery, KFC and Fazoli.

The sales launch for SOUTH CENTRAL,

Filinvest's newest commercial development, was held during the last quarter of 2002. Covering an area of 6.2-hectares, SOUTH



South Central

CENTRAL will feature a retail center with five cluster buildings and an intermodal transport terminal. Bus companies, FX and jeepney associations in the temporary terminal in Festival Supermall have expressed interest in moving to SOUTH CENTRAL once it starts operations.

Scheduled for launching in 2003 are the WESTPARC residential condominiums and 2301 CIVIC PLACE, a medium-rise home office building that will cater to professionals in the area.

**Festival SuperMall**

Operating for four years now, FESTIVAL SUPERMALL (FSI) continues to post steady growth amid the growing competition. Capturing a bigger share of the market with its innovative and aggressive marketing efforts, FESTIVAL SUPERMALL strengthened its position as the premier shopping destination of the south.

In 2002, the mall added 49 new names to the growing roster of specialty stores and restaurants. These included The Black Shop, SariSari Store, McJim Leather Gallery, Electronic Depot, Penshoppe Ladies, Timex, Comic Quest, Seattle's Best and Fukuya Japanese Restaurant.

The cinema experience at the FESTIVAL CINEMAS took a more sophisticated twist with the launching of C-SQUARE, a dining and entertainment hub in the cinema lobby.

Representing the four C's of entertainment - café, concert, culture and cinema - C-SQUARE offers themed theatre bars with



The Palms Country Club

light snacks, high-end hobby shops, arts and gadget stores and coffee shops.

FESTIVAL SUPERMALL affirmed its position as the center of local festivities and events for special interests. It hosted the Masskara Festival, a "dress up your pet" show dubbed Petscapade, Cinderella presentations by Ballet Philippines and Guess Manila Philharmonic in Jeans Year 5, among others.

Notable among the major trade exhibitions held last year were the La Union "Treasures of the North" and the furniture fair of the Chamber of Furniture Industry of the Philippines (CFIP).

Despite the economic slump and bomb scare scenarios, these activities helped generate steady customer traffic with a daily average count of 75,000 that easily doubles during holidays and weekends.

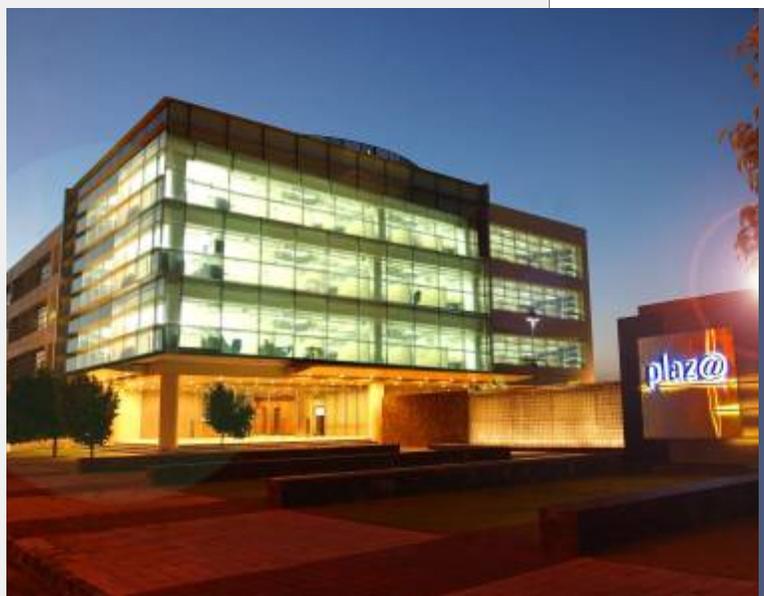
#### The Palms Country Club

THE PALMS, a family resort club located within the Filinvest Corporate City in Alabang, Muntinlupa City, opened last August and was formally inaugurated in November. Now fully operational with more than 1,100 shares sold and an exciting line-up of family-friendly amenities and services, THE PALMS has rapidly become a byword for premium relaxation among its exclusive clientele.

#### CyberZone Properties, Inc.

The contact center industry was the biggest source of leasing revenue for the 18.7-hectare NORTHGATE CYBERZONE with the entry of Infonxx and the Philippine office of APAC Customer Services Inc. in 2002. The two companies acquired a combined area of 6,400 square meters in the zone's Plaz@ buildings B and C for their call center operations. The buildings are now 75% occupied, with the remaining office inventory under negotiation with other technology companies.

Anticipating the continuing demand for contact centers and backroom operations of various businesses, construction of Plaz@ building A will start in April 2003. Designed by leading Silicon Valley architect Studios Architecture, the Plaz@ buildings are all



Northgate Cyberzone

constructed exclusively around the needs of information technology companies.

Informatics International College, the zone's pioneer academic institution, started offering short courses in June 2002. Undergraduate and masteral degree programs will be available by June 2003.