

A. Soriano Corporation

**NOTICE OF ANNUAL MEETING OF
STOCKHOLDERS**

AND

INFORMATION STATEMENT

Monday, April 14, 2008

10:00 a.m.

Rigodon Ballroom

Manila Peninsula Hotel

Ayala Avenue corner Makati Avenue

1226 Makati City, Philippines

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
/ / Preliminary Information Statement
/ x / Definitive Information Statement
2. Name of the registrant as specified in its charter: **A. SORIANO CORPORATION**
3. Province, or country or other jurisdiction of incorporation organization:
Makati City, Philippines
4. SEC Identification Number: **PW - 02**
5. BIR Tax Identification Code: **000-103-216-000**
6. Address of principal office: **7th Floor Pacific Star Building
Makati Avenue corner Gil Puyat Avenue
1209 Makati City, Philippines**
7. Registrant's telephone number, including area code: **(632) 819-02-51 to 70**
8. Date, Time and Place of the meeting : **April 14, 2008, Monday at 10:00 a.m.
Rigodon Ballroom
Manila Peninsula Hotel
Ayala Avenue corner Makati Avenue
1226 Makati City, Philippines**
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **On or before March 17, 2008**
10. In case of Proxy Solicitations:
Name of Person Filing the Statement/Solicitor:
Atty. Lorna Patajo-Kapunan, Corporate Secretary

Address : **7th Floor Pacific Star Bldg., Makati Avenue corner Gil Puyat Ave.
1209 Makati City, Philippines**

Telephone Nos. : **819-0251 to 70**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount to debt is applicable only to corporate registrants):
- | Title of Each Class | Number of shares of Common Stock
Outstanding or Amount of Debt Outstanding |
|----------------------|---|
| Common Shares | 2,500,000,000 |
12. Are any or all of registrant's securities listed on the Philippine Stock Exchange.
Yes (**x**) No ()
If so, disclose name of the Exchange: **Philippine Stock Exchange**

A. SORIANO CORPORATION

Notice of Annual Meeting of Stockholders

NOTICE IS HEREBY GIVEN that the regular Annual Meeting of Stockholders of **A. Soriano Corporation** (“ANSCOR” or the “Company”) will be held on Monday, April 14, 2008 at 10:00 a.m. at the Rigodon Ballroom, Manila Peninsula Hotel, Ayala Avenue corner Makati Avenue, Makati City 1226, Philippines.

The agenda of the meeting is as follows:

1. Approval of the minutes of previous meeting.
2. Presentation of the Chairman and Chief Executive Officer’s Message to Stockholders.
3. Election of the members of the Board of Directors.
4. Appointment of external auditors.
5. Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management since the last annual meeting.
6. Such other business as may properly come before the meeting.

Only stockholders of record in the books of the Company at the close of business on March 12, 2008, will be entitled to vote at the meeting. A list of stockholders entitled to vote will be available for inspection at the office of A. Soriano Corporation, 7th Floor Pacific Star Building, Makati Avenue corner Gil Puyat Avenue, Makati City, ten (10) days prior to the Annual Meeting.

Stockholders are requested to complete, date, sign and return the enclosed proxy form to reach the Company as promptly as possible not less than ten (10) working days prior to the Annual Meeting or not later than March 27, 2008. The giving of such proxy will not affect your right to vote in person should you decide to attend the Annual Meeting.

Proxy validation will be held at A. Soriano Corporation, 7th Floor Pacific Star Bldg., Makati Avenue, Makati City on April 03, 2008 from 11: 00 a.m. to 12:00 noon.

Makati City, Philippines, March 17, 2008.

THE BOARD OF DIRECTORS

By:

LORNA PATAJO-KAPUNAN

Corporate Secretary

REGISTRATION OF STOCKHOLDERS WILL START AT 9:00 a.m.

Please bring identification, such as valid passport, driver’s license or Company I. D

INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders

The enclosed proxy is solicited in behalf of Management, with address at the 7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue, Makati City and telephone numbers 819-0251 to 70, for use in voting at the Annual Meeting of Stockholders to be held

Date	:	Monday, April 14, 2008
Time	:	10:00 a.m.
Place	:	Rigodon Ballroom Manila Peninsula Hotel Ayala Avenue corner Makati Avenue Makati City 1226, Philippines
Principal Office	:	7 th Floor Pacific Star Bldg. Makati Avenue corner Gil Puyat Avenue Makati City 1209, Philippines

This Information Statement and the enclosed proxy form will be mailed to the stockholders entitled to notice of and to vote at the Annual Meeting on or about March 17, 2008.

Voting, Revocability, Validation, Submission Deadline and Authentication of Proxies

When proxies are properly dated, executed and returned on or before March 27, 2008, the shares they represent will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, the shares will be voted FOR the election of the nominees for directorship whose names appear in the proxy form and FOR the approval of all matters the stockholders' approval of which is sought in the meeting. A stockholder giving a proxy has the power to revoke it at any time prior to its exercise by voting in person at the Annual Meeting, by giving written notice to the Corporate Secretary prior to the Annual Meeting or by giving a subsequent proxy which must be received by the office of the Corporate Secretary not later than March 27, 2008.

Each share of common stock outstanding as of record date will be entitled to one vote on all matters. The candidates for election as directors at the Annual Meeting who receive the highest number of affirmative votes will be elected. The appointment of the independent auditors for the Company for the current year as well as other items presented to the Stockholders during the Annual Meeting will require the affirmative vote of a majority of the votes cast on the matter. Pursuant to Article III Section 6 of the By-Laws of the Corporation, written proxy shall be filed with the Corporate Secretary not less than ten (10) working days prior to the date of such meeting or not later than March 27, 2008.

Pursuant to the provisions of the By-Laws, the Board of Directors has set the date of

validation of proxies on April 3, 2008. For this purpose the Corporate Secretary shall act as the inspector at the election of directors and other voting by stockholders.

Under SEC Memo Circular No. 5 Series of 1996, all proxies executed abroad must be duly authenticated by the Philippine Embassy or Consular Office.

Dissenter's Right of Appraisal

There are no corporate matters or action that will trigger the exercise by the stockholders of their Right of Appraisal under the Corporation Code. However, if at any time after the information statement has been sent out, an action which may give rise to the Right of Appraisal is proposed at the meeting, any stockholder who wishes to exercise such right and who voted against the proposed action, must make a written demand within thirty (30) days after the meeting.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made. Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and Provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

SOLICITATION INFORMATION

Person Making the Solicitation

The solicitation of proxies in the form accompanying this statement is made in behalf of Management through Atty. Lorna Patajo-Kapunan and the proxy given will be voted in accordance with the authority contained therein. The solicitation of proxies in the accompanying form will be primarily by mail. However, personal solicitation may be made by officers, directors and regular employees of the Company whose number is not expected to exceed fifteen (15) and who will receive no additional compensation therefor. The Company will bear the cost, amounting to P1,250,000.00 of preparing and mailing the annual reports, information statement and other materials furnished to the stockholders in connection with proxy solicitation.

None of the Directors has informed the Company of any intention to oppose an action intended to be taken by the Company.

Interest of Certain Persons in Matters to be Acted Upon

No Director or Executive Officer, nominated for re-election as Director, or his Associate has, at any time, any substantial interest, direct or indirect, by security holdings or otherwise, on any of the matters to be acted upon in the meeting, other than the approval of the Annual Report, election to office and ratification of acts of management.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

Only stockholders of record on the books of the Company at the close of business on March 12, 2008 will be entitled to vote at the Annual Meeting. Presence in person or by proxy of a majority of the shares of common stock outstanding on the record date is required for a quorum.

There are 2,500,000,000 shares of common stocks outstanding and issued as of March 12, 2008. All the issued shares are entitled to vote on a one (1) share - one (1) vote basis. The Company has only one class of shares.

Pursuant to the Corporation Code and as provided under Article III Section 8 of the By-Laws, every stockholder is entitled to vote such number of shares for as many person as there are directors or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. Provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected. The proxy being solicited includes the authority to cumulate votes.

Except as indicated in section (a) below on Security Ownership of Certain Record and Beneficial Owners, there are no other persons holding 5% or more of the common stock of the Company.

The Company does not own any other equity securities beneficially owned by its directors and other nominees.

There had been no change of control in the Company that had occurred since the beginning of the last fiscal year. Furthermore, Management is not aware of any arrangement, which may result in a change in control of the Company.

a) Security Ownership of Certain Record and Beneficial Owners

As of January 31, 2008, the following are the Security Ownership of Certain Record and

Beneficial Owners of the Company:

Title of Class	Name/Address of Record Owner & Relationship w/ Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number Of Shares	% of Ownership
Common	Anscor Consolidated Corporation 7 th Flr. Pacific Star Bldg. Makati Avenue corner Gil Puyat Avenue, Makati City Subsidiary	Anscor Consolidated Corp. Subsidiary	Filipino	*957,656,189	38.306%
Common	PCD Nominee Corp. (Non-Filipino) 37 th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City Depository Account	PCD Nominee Corp. (Non-Filipino) Depository Account	Non-Filipino	648,465,908	25.939%
Common	PCD Nominee Corp. (Filipino) 37 th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City Depository Account	PCD Nominee Corp. (Filipino) Depository Account	Filipino	234,399,786	9.376%
Common	A-Z Asia Limited Philippines Inc. Barrio Mabacan, Calauan, Laguna Stockholder	A-Z Asia Limited Philippines, Inc. Stockholder	Filipino	176,646,329	7.065 %

* Includes 55,483,886 shares lodged with PCD Nominee Corp. (Filipino)

Anscor Consolidated Corporation is wholly owned by A. Soriano Corporation, the registrant Company, represented by Mr. Ernest K. Cuyegkeng as Treasurer.

PCD Nominee Corporation, a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants, who hold the shares on their behalf or in behalf of their clients of which ATR Kim Eng Securities, Inc. is the sole owner with more than 5%, specifically, 23.425%, the bulk of which or 19.157% is owned by Deerhaven LLC, a company registered in Delaware, USA. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

A-Z Asia Limited Philippines, Inc. is a holding company incorporated in the Philippines in 25 April 2003 represented by Atty. Marietta P. Turingan as President.

Other than the above, there are no stockholders owning more than 5% of the Company's outstanding shares of stock.

The Company is not aware of any material pending legal proceedings to which the Company or any of its subsidiaries is a party.

b) Security Ownership of Certain Beneficial Owners and Management

As of January 31, 2008, the following are the security ownership of the Directors and Officers of the Company:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Owner		Citizenship	Percentage
Common	Andres Soriano III	50,490,265	Direct/Indirect	American	2.020%
Common	Eduardo J. Soriano	30,862,529	Direct/Indirect	Filipino	1.235%
Common	John L. Gokongwei, Jr.	355,633	Direct/Indirect	Filipino	0.014%
Common	Oscar J. Hilado	6,020,000	Direct/Indirect	Filipino	0.241%
Common	Jose C. Ibazeta	32,951	Direct	Filipino	0.001%
Common	Raymundo G. Pe	181,750	Direct	Filipino	0.007%
Common	Roberto R. Romulo	20,000	Direct	Filipino	0.001%
	Total	87,963,128			3.519%

Mr. Ernest K. Cuyegkeng and Atty. Lorna Patajo-Kapunan do not own shares of the Company.

c) Voting Trust Agreement

The Company does not have any voting trust agreement with any stockholder. To reiterate, Management is not aware of any arrangement which may result in a change in control of the Company.

Compensation of Directors and Executive Officers

As approved in 2004, Directors are paid a per diem of P20,000.00 per meeting attended and are given directors bonus representing no more than 1% of previous year's net income. Similarly, annual salary increases and bonus, of no more than 3% of the preceding year's net income, of Executive Officers are approved by the Compensation Committee and Board of Directors.

Name	Principal Position	Compensation		
		2006	2007	2008

		Actual	Actual	(estimate)
Andres Soriano III	Chairman & Chief Executive Officer			
Eduardo J. Soriano	Vice-Chairman & Treasurer			
Ernest K. Cuyegkeng	Executive Vice President & Chief Financial Officer			
Narcisa M. Villaflor	Vice President & Comptroller			
Joshua L. Castro	Executive Assistant and Asst. Corporate Secretary			
Salaries		P34,488,046	P38,701,492	P40,665,000
Benefits		3,235,871	1,997,815	1,997,815
Bonus		17,850,000	17,269,301	20,400,000
Sub-Total Top Executive		P55,573,917	P57,968,608	P63,062,815
Other Directors		8,473,174	6,489,797	7,923,438
Total		P64,047,091	P64,458,405	P70,986,253

In view of the substantial income generated by the Company in 2006 from the sale of its investments, the Company declared a special and nonrecurring bonus to its Executive Officers and Directors in the amount of P82.5 million, as approved by the Board and the Compensation Committee on November 10, 2006.

Employment Contracts, Termination of Employment and Change-in-Control

All the Executive Officers are not subject of any employment contract. Neither are there any compensatory plans or arrangements with respect to the named executive officers that will result from their resignation, retirement or any other termination or from change in control in the Company or change in the named executive officers' responsibilities following a change in control.

Warrants and Options Outstanding

There are no warrants or options granted to the directors, chief executive officer, and other named executive officers.

Directors and Executive Officers

Pursuant to the Corporation's By-Laws, in addition to the right of the Board of Directors to make nominations for the election of Directors including independent Directors, nominations for Directors including independent Directors may be made by any shareholder entitled to vote for the election of Directors.

Nominations shall be received by the Chairman of the Board of Directors (which nominations may be sent to such Chairman through the Secretary of the Corporation), on March 1 of every year or at such earlier or later date as the Board of Directors may fix.

Each nomination under the preceding paragraph shall set forth the name, age, business address and, if known, residence address of each nominee, the principal occupation or employment of each such nominee, the number of shares of stock of the Corporation which are beneficially owned by each such nominee, and the interests and positions held by each nominee in other corporations. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the Corporation.

The Board, by a majority vote unless a greater majority is required under these By-Laws, may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is disqualified for election as Director and if the Board should so determine, the defective nomination and the nomination of the disqualified person shall be disregarded.

Mr. Eduardo J. Soriano, the Vice Chairman and Treasurer, nominated all the nominees for Directors including independent Directors contained in the information statement. Mr. Soriano is not related to any of the independent Directors nominated. No other nomination was submitted as of March 01, 2008.

Unless marked otherwise, the proxies received will be voted FOR the election of the nominees named below who have signified their acceptance of their respective nominations. The Board of Directors has no reason to believe that any of such nominees will be unwilling or unable to serve if elected as a Director. Each Director shall serve until the next annual meeting of stockholders or until his successor is elected or appointed in case of vacancy due to death, resignation or removal. The Management recommends a vote FOR the election of each of the nominees listed below, who are the incumbent directors of the Company.

The nominations for independent Directors complies with SRC Rule 38, which requires that a corporation with a class of equity securities listed for trading on an Exchange or with assets in excess of Fifty million pesos (P50,000,000.00) and having two hundred (200) or more holders, at least of two hundred (200) of which are holding at least one hundred (100) shares of a class of its equity securities shall have at least two (2) independent Directors or such independent Directors shall constitute at least twenty percent (20%) of the members of such board, whichever is the lesser.

The nominated independent Directors are neither officers nor employees of the Company or of any of its subsidiaries. They do not have any relationship with the company which would interfere with the exercise of independent judgment in carrying out their responsibilities. Further, the nominated independent Directors possess all the qualifications and none of the disqualifications to serve as independent Directors of the Company.

ANDRES SORIANO III, age 56, American, Director of the Company since May 19, 1982; Chairman and Chief Executive Officer of the Company (1983 to present); Chairman and President of Anscor Consolidated Corporation (1987 to present); Chairman of Andres Soriano Foundation, Inc., Anscor Land, Inc. (1998 to present), Phelps Dodge Philippines (1983 to present), Phelps Dodge Philippine Energy Products Corp. (1997 to present), Seven Seas Resorts and Leisure, Inc. (1998 to present); Director of ICTSI, Ltd. (2002 to present); International Container Terminal Services, Inc. (ICTSI) (1988 to present); Anscor-Casto Travel Corporation (1983 to present), Anscor Property Holdings, Inc. (1998 to present), ICTHI (1999 to present), The Peninsula Manila (1986 to present), A. Soriano Air Corporation (2003 to present); Member, Board of Advisors of ATR Holdings, Inc.; Member of the American, Europe and Spanish Chambers of Commerce and the Philippines Business for Social Progress (PBSP), in which he once held the Chairmanship of the Board of Trustees; Mr. Soriano used to be Chairman and CEO of San Miguel Corporation, Chairman of Coca Cola (Philippines) and Nestle' (Philippines) and was a Director of AB Capital and Investment Corporation; Graduate of Bachelor's Degree in Economics, Major in Finance and International Business, Wharton School of Finance and Commerce, University of Pennsylvania, (1972).

EDUARDO J. SORIANO, age 53, Filipino, Director of the Company since May 21, 1980; Vice Chairman-Treasurer of the Company (1990 to present); Chairman of International Quality Manpower Services, Inc. (2004 to present), A. Soriano Air Corporation (2003 to present), Anscor Insurance Brokers, Inc. (1997 to present), Anscor Property Holdings, Inc. (1985 to present); Director of Phelps Dodge Philippines Energy Products Corporation (1997 to present); Chairman & President of NewCo Inc. (1997 to present); Vice Chairman of Anscor Land, Inc. (1997 to present); President of Seven Seas Resorts & Leisure, Inc. (1998 to February 2008); Graduate of Bachelor of Science Degree in Economics, Major in History, University of Pennsylvania, (1977).

JOHN L. GOKONGWEI, JR., age 81, Filipino, Director of the Company since May 21, 1980; Director and Chairman Emeritus of JG Summit Holdings, Inc. (2002 to present); Chairman and CEO of JG Summit Holdings, Inc. (1990 to 2001); Director of Robinsons Land Corporation (1980 to present), JG Summit Petrochemical Corporation (1994 to present), Litton Mills, Inc. (1978 to present), Universal Robina Sugar Milling Corporation (1987 to present), Southern Negros Development Corporation (1982 to present), Robinsons Inc. (1987 to present), Gokongwei Brothers Foundation, Inc. (1992 to present), and Philex Mining Corporation (1983 to present); Graduate of De La Salle University, Masters Degree in Business Administration, (1977) Advance Management Program, Harvard University, (1972-1973).

OSCAR J. HILADO, age 70, Filipino, an independent Director of the Company since April 13, 1998; Chairman & CEO of Philippine Investment Management (PHINMA), Inc. (January 1994 to August 2005) and as Chairman (August 2005 to present); Chairman of Holcim Phils., Inc., Chairman of the Board and Chairman of the Executive Committee of Bacnotan Consolidated Industries, Inc.; Chairman of the Board of Phinma Property Holdings Corp.; Vice Chairman of Trans Asia Power Generation Corp. (1996 to present), Trans Asia Oil & Energy Development Corp.; Chairman of the Executive Committee of AB Capital & Investment Corporation; Director of Manila Cordage Corp. (1986 to present), Seven Seas Resorts & Leisure, Inc. and First Philippine Holdings Corporation (1996 to present); Graduate of De La Salle College (Bacolod), Bachelor of Science in Commerce, (1958) Masters Degree in Business Administration, Harvard Graduate School of Business, (1962). Mr. Hilado also serves as a member of the Audit Committee of the Company.

JOSE C. IBAZETA, age 65, Filipino, Director of the Company from 1981 to 1998, 2004 to present; President and CEO of Power Sector Asset & Liabilities Management Corporation (2007 to present); Director of International Container Terminal Services, Inc. (1987 to present), Anscor Consolidated Corporation (1980 to present), Anscor Property Holdings, Inc. (1982 to present), Anscor-Casto Travel Corporation (1984 to present), Anscor Insurance Brokers, Inc. (1986 to present), A. Soriano Air Corporation (1988 to present), AFC Agribusiness Corporation (1989 to present), Atlas Consolidated Mining & Development Corporation (1989 to present), Minuet Realty Corporation (1995 to present, Anscor Land, Inc. (1997 to present), Phelps Dodge Philippines Energy Products Corp. (1997 to present), NewCo, Inc. (1997 to present), and Capital Mediaworks, Inc. (2003 to present); Member, Finance Committee of Ateneo de Manila University (1987 to present); Board of Trustees of Radio Veritas (1991 to present); Graduate of Bachelor of Science in Economics, Ateneo de Manila University, (1963). Masters Degree in Business Administration, University of San Francisco, (1968).

RAYMUNDO G. PE, age 80, Filipino, an independent Director of the Company since April 16, 1997; Director of PentaCapital Investment Corporation (1993 to present); Graduate of

Bachelor of Science in Mechanical Engineering, (1953) and Graduate Studies, University of the Philippines, (1967).

ROBERTO R. ROMULO, age 69, Filipino, an independent Director of the Company since April 13, 1998; Chairman of Philam Insurance, Inc. (1998 to present), ABAC (APEC Business Advisory Council) Philippines, Carlos P. Romulo Foundation for Peace and Development, CIBI Information, Inc., Equicom Systems Management, (ESM), Foundation for Information Technology Education and Development (FIT-ED), MediLink Network, Philippine Foundation for Global Concerns, Inc. (PFGC), Romulo Asia Pacific Advisory, Inc. (formerly Romulo and Navarro, Inc.) (1995 to present), and Asia-Europe Foundation of the Philippines; Member of the Board of Counselors, McLarty Associates; Executive Director of International Board of Advisors of President Arroyo; Advisory Board Member of Philippine Long Distance Telephone Co. (PLDT); Board Member of Aboitiz Equity Ventures, Inc. (2000 to present), Singapore Land Limited (2001 to present), United Industrial Corporation Limited (Singapore) (2001 to present), and MIH Holdings Limited (British Virgin Islands) (2001 to present). Had a 25-year career at IBM Corporation, holding CEO positions in the Philippines, Thailand, Burma and Bangladesh; Graduate of A.B. Political Science Degree, Georgetown University, (1960), and Ateneo de Manila University, Bachelor of Laws Degree, (1964).

No incumbent Director has resigned or declined to stand for re-election to the Board of Directors due to disagreement with Management since the date of the last annual meeting.

The following are not nominees but incumbent officers of the Company:

ERNEST K. CUYEGKENG, age 61, Filipino, Executive Vice President and Chief Financial Officer of the Company (1990 to present); President and Director of Anscor Property Holdings, Inc. (1990 to present), Anscor Land, Inc. (1997 to present), Phelps Dodge Philippines Energy Products Corporation (1999 to present), , A. Soriano Air Corporation (2003 to present), and International Quality Manpower Services, Inc. (2004 to present); Director of Pamalican Island Holdings, Inc. (1995 to present), KSA Realty Corporation (2001 to present) and T-O Insurance; Member of the Management Association of Philippines, Makati Business Club and Financial Executive Institute of the Philippines (FINEX); Graduate of De La Salle University, B.A. Economics and B.S. Business Administration, (1968). Masters Degree in Business Administration, Columbia Graduate School of Business, New York, (1970).

LORNA PATAJO-KAPUNAN, age 55, Filipino, Corporate Secretary of A. Soriano Corporation (1998 to present); Senior Partner of Kapunan Lotilla Flores Garcia & Castillo Law Offices; Corporate Secretary of Central Azucarera de Don Pedro (1995 to present), Central Azucarera de la Carlota (1996 to present), Beverage Industry Association of the Philippines (1991 to present), Seven Seas Resorts & Leisure, Inc (1990 to present), Pamalican Island Holdings, Inc. (1995 to present), iAcademy (2002 to present), Uni-President Phils. Inc. (2002 to present), Huntly Corporation (1992 to present), Palomino Resources, Inc. and Malate Pensionne, Inc.(2001 to present), Cuisine Exchange, Inc. and Culinary Innovators, Inc. (2001 to present), Jose M. Velero Corporation (2001 to present), Creative Concoctions, Inc. (2001 to present), Hotel Concepts, Inc. (2001 to present), Creative Hotel Concepts, Inc. (2001 to present), Culinary Events, Inc. (2001 to present), AH Distribution Corporation, Hotel & Resorts Trench, Inc. (2002 to present), It's About Taste (I'ATE), Inc. (2002 to present), Kitchen Alley, Inc.(2001 to present), & Les Maitres Gourmands, Inc. (2001 to present); Graduate of University of the Philippines College of Law,

(1978).

The registrant has no parent company.

Family Relationship

Andres Soriano III and Eduardo J. Soriano are brothers.

Executive Officers and Significant Employees

There are no significant employees.

Legal Proceedings

For the last five years and as of January 31, 2008, Management is not aware of any pending material legal proceeding i.e. bankruptcy petitions, convictions by final judgment, being subject to any order, judgment or decree or violation of a Securities or Commodities Law involving its nominees for directorship, executive officers and incumbent officers and directors.

Certain Relationship and Related Transactions

Management is not aware of any transaction during the last two (2) years or proposed transactions to which the Company was or is to be a party, in which any of its Directors, nominees for election as Directors, Executive Officers, security holders owning more than 5% of the outstanding shares of the Company, or any member of the immediate family of any of the foregoing persons, have or is to have material interest.

Management's Discussion and Analysis of Operation

Please refer to the Group's Operations Report discussion in the Chairman's Message (pages 2 to 4) in the enclosed copy of the Company's 2007 Annual Report.

Description of General Nature and Scope of the Business

Anscor is a Philippine holding company with diverse investments. One of its principal corporate investments is Phelps Dodge Philippines Energy Products Corporation ("PD Energy") which manufactures wire and cable products. In addition, Anscor has a number of other investments in companies engaged in tourism, business process outsourcing, call center, aviation, business solution provider, nurse deployment, and real estate. The principal sources of income for Anscor are: gain from trading/sale of financial assets and interest income of financial liquid assets as well as equity earnings from investee companies.

Financial Information – Market Price

Latest Market Price – 28 December 2007

Previous Close –	P 3.30
High	P 3.30
Low	P 3.30

The following are the high and low sales prices of the shares of the Company for each quarter within the last two fiscal years:

2007	High	Low
First Quarter	3.55	2.70
Second Quarter	3.90	3.50
Third Quarter	3.70	3.00
Fourth Quarter	3.60	3.10

2006	High	Low
First Quarter	2.65	2.08
Second Quarter	4.35	1.70
Third Quarter	2.06	1.74
Fourth Quarter	3.00	2.06

Source: Monthly PSE Report

The total number of stockholders/accounts as of January 31, 2008 is 12,015 holding 2,500,000,000 shares of common stock.

A cash dividend of P0.10 per share was paid to stockholders on May 25, 2007 of record date as of May 2, 2007.

On February 26, 2008, the Board of Directors declared a P0.12 per share cash dividend payable to stockholders on April 09, 2008 of record date as of March 11, 2008.

The top 20 stockholders as of January 31, 2008 are as follows:

Stockholder's Name	Number of Common Shares	% of ownership
1. Anscor Consolidated Corporation	957,656,189	38.306 %
2. PCD Nominee Corp. (Non-Filipino)	648,465,908	25.939 %
3. PCD Nominee Corp. (Filipino)	234,399,786	9.376 %
4. A-Z Asia Limited Philippines, Inc.	176,646,329	7.066 %
5. Universal Robina Corporation	87,602,463	3.504 %
6. Andres Soriano III	50,490,265	2.020 %

7. C & E Property Holdings, Inc.	28,011,922	1.120 %	
8. Edmen Property Holdings Inc.	27,511,925	1.100 %	
9. MCMS Property Holdings, Inc.	26,513,928	1.061 %	
10. EJS Holdings, Inc.	25,884,905	1.035 %	
11. Phil. International Life Insurance Co.	19,002,875	0.760 %	
12. Dao Investment & Management Corp.	8,628,406	0.345 %	
13. Philippine Remnants Co., Inc.	7,556,183		0.302 %
14. Oscar Hilado	6,020,000	0.241 %	
15. Chung Tiong Tay	5,089,384	0.204 %	
16. Tiong Tay Chiong	4,117,961	0.165 %	
17. Juan G. Yu &/or Grace C. Yu	2,838,888		0.114 %
18. Balangingi Shipping Corp.	2,767,187	0.111 %	
19. Leonardo T. Siguion-Reyna	2,625,000	0.105 %	
20. Dolmar Real Estate Dev. Corp.	2,531,106	0.101 %	

There are no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

Compliance with Leading Practice on Corporate Governance

On January 30, 2008, the Company submitted its annual Certification to the SEC confirming its substantial compliance with its Manual Corporate Governance. The Company continues to improve systems and processes to enhance adherence to practices of good corporate governance. On January 8, 2008, the Company amended its Manual on Corporate Governance, requiring its Directors, before assuming office, to attend a seminar on Corporate Governance conducted by a duly recognized private or government institution.

Audited Financial Statements

The audited financial statements as of December 31, 2007 are included in the enclosed copy of the Company's 2007 Annual Report.

Appointment of Independent Auditors

SyCip Gorres Velayo & Co. has been the Company's independent auditors since its establishment in 1946. They will again be nominated for reappointment and presented for approval by the stockholders during the stockholders meeting as external auditors for the ensuing fiscal year. **Unless marked to the contrary, proxies received will be voted FOR the appointment of SyCip Gorres Velayo & Co. as the independent auditors for the ensuing year. The**

Management recommends a vote FOR the appointment of SyCip Gorres Velayo & Co. as independent auditors for the Company for the current year.

A representative of SyCip Gorres Velayo & Co. is expected to be present at the Annual Meeting to respond to appropriate questions from the stockholders and to make a statement if so desired.

The Company has no changes in and disagreement with its independent auditors on Accounting and Financial Disclosure.

In compliance with SRC Rule 68 paragraph 3(b) (iv) (Rotation of External Auditors), the SGV audit partner, as of December 2007, is Mr. Wilson Tan who is on his fourth year of audit engagement. As such, there is no need to rotate external auditors for the year 2008.

Audit and Audit Related Fees

For the years ended December 31, 2007 and 2006, the company's audit fees amounted to P750,000.00 and P 675,000.00 respectively. The audit fees were approved by the Audit committee. There are no other fees paid to the external auditors for other assurance and related services.

Tax Fees and Other Consultancy Fees

No tax fees were paid by the Company for the year 2007. For the year 2006, the Company paid tax fees amounting to P348,920.00 to its external auditors. The Company paid consultancy fee amounting to P500,000.00 to its external auditors for acquisition audit of prospective companies.

Action with Respect to Reports

The following reports/minutes shall be submitted for approval/ratification:

Approval of Minutes of Annual Meeting of Stockholders on April 16, 2007

The Minutes of Annual Meeting of Stockholders of the Company held on April 16, 2007 ("Minutes") will be presented for approval of the stockholders. Such action on the part of the stockholders will not constitute approval or disapproval of the matters referred to in said Minutes since stockholders' approval and action on those items had already been obtained in that meeting and subsequently carried out.

The Minutes and related records are available for inspection at the office of the Company during business hours. In addition, copies of the Minutes shall be posted at the meeting site.

Summary of the Minutes of April 16, 2007:

In the meeting of the Board of Directors immediately prior to the Stockholders' Meeting, the Board approved the declaration of P0.10 cash dividend per share to stockholders of record as of May 02, 2007 and payable as of May 25, 2007.

In the Annual Stockholders' Meeting the following were taken up:

1. Approval of the Annual Report and audited Financial Statements as of December 31, 2007 and ratification of all acts, contracts, investments and resolutions of the Board as set forth in the minutes of the Board of Directors.
2. Amendments of Article VII of the Articles of Incorporation and section 1 of Article IV of the By-Laws to decrease the number of directors from nine (9) to seven (7)
3. Election of the members of the Board of Directors
4. Appointment of external auditors.

In the organizational meeting that followed immediately after the Stockholders' Meeting the Executive Officers were re-elected and the members of the Audit Committee and Compensation Committee were re-appointed.

Approval of 2007 Audited Financial Statements

The audited Financial Statements of the Company for the period ended December 31, 2007 will be submitted for approval of the stockholders at the Annual Meeting.

SGV had examined the Financial Statements in accordance with generally accepted auditing standards and have expressed their opinion on the fairness of the presentation in their report to the Board of Directors and Stockholders of the Company. The information and representation in the Financial Statements are the responsibility of Company's Management.

Ratification of All Acts, Contracts, Investments and Resolutions of the Board of Directors and Management Since the Last Annual Meeting.

As matter of corporate policy, Management seeks the approval and ratification by the stockholders of all acts, contracts, investments and resolutions of the Board of Directors and Management since April 16, 2007, the last Annual Meeting. These are reflected in the Minutes of the meetings of the Board of Directors in their regular reports and disclosure to the Securities and Exchange Commission, and the Philippine Stock Exchange, and in the 2007 Annual Report of the Company. For reference, attached herewith (Annex A) is a list of all the resolutions approved by the Board of Directors since March 6, 2007 which are the subject of ratification by the stockholders.

Voting Procedures

SyCip Gorres Velayo & Co., the Independent Auditors elected as Board of Election Inspectors in the last Annual Meeting, has signified no changes in the voting procedures which will be the same as in the previous years.

Stockholders as of March 12, 2008 may vote at the scheduled Stockholders Meeting.

Registration of stockholders and proxies attending the meeting will open at 9:00 a.m. on April 14, 2008.

In the previous meeting of stockholders, considering that only seven (7) were nominated to fill the seven (7) seats of the Board of Directors, there was no balloting.

In case of balloting, only stockholders and proxies who have previously registered will be given ballots. The ballots will be distributed at the registration booths. Upon being given a ballot, a stockholder/proxy should sign the stockholder/proxy registration list beside his/her signature placed earlier during registration.

After casting his/her vote, the stockholder/proxy may place his/her ballot inside any of the ballot boxes clearly marked as such and located at designated areas at the place of the meeting. Stockholders/proxies will be given a sufficient period of time to vote. Thereafter, SyCip Gorres Velayo & Co. will proceed to collect the ballot boxes and canvass the votes.

All questions and elections shall be decided by majority vote of stockholders present and in proxy and entitled to vote thereat.

Other Matters

As of the date hereof, there are no other matters which the Board of Directors intends to present or has reason to believe others will present at the meeting. If other matters come before the meeting, the proxy holders will vote in accordance with his best judgment with respect to such matters that are not known to the solicitors at a reasonable time before the solicitation is made.

The Company shall provide to the stockholders, without charge, on written request the Annual Report of the Company on SEC Form 17-A. All such requests for a copy of the Annual Report shall be directed to the Corporate Secretary, 7th Floor Pacific Star Building, Makati Avenue corner Gil Puyat Avenue, Makati City, Philippines.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on March 17, 2008.



LORNA PATAJO-KAPUNAN
Corporate Secretary

**RESOLUTIONS APPROVED DURING
THE MEETINGS OF THE BOARD OF DIRECTORS OF
A. SORIANO CORPORATION FOR THE YEAR 2007**

1. Board meeting held on March 6, 2007

1.1 RESOLVED, as it is hereby resolved, that the audited Financial Statements of the Corporation for the period ending December 31, 2006, is hereby approved.

1.2 The Board set and approved the date of stockholders meeting, record date and proxy validation date as follows:

- a) Date of Stockholders Meeting – April 16, 2007
- b) Record Date - March 21, 2007
- c) Proxy Validation Date – April 10, 2007

1.3 RESOLVED, That Article VII of the Articles of Incorporation and Article VI (1) of the By-Laws of the Corporation are hereby amended to reduce the number of directors from nine (9) to seven (7). Article VII of the Articles of Incorporation now reads as follows:

“Article VII – That the number of Directors of the corporation shall be seven (7).”

and Article VI (1) of the By-Laws now reads as follows:

“The corporate powers, business and property of the Corporation shall be exercised, conducted and controlled by the Board of seven (7) directors who shall be elected annually by the stockholders for a term of one (1) year and shall serve until the election and acceptance of their qualified successors.”

1.4 RESOLVED, That the Corporation is hereby authorized to acquire, whether directly or through a subsidiary, 10% of the outstanding shares of stock of Direct With Hotels, Inc. for the amount of US\$500,000.00 and under such term and conditions as may be for the best interest of the Corporation, hereby authoring its Executive Vice President and Chief

Financial Officer, Mr. Ernest K. Cuyegkeng, to sign any and all documents that may be required relative to the said investment and to give full force to the foregoing resolutions.

2. Board organizational meeting held April 16, 2007

- 2.1 The Board reappointed the Executive Officers, the members of the Executive Committee, Audit Committee, and Compensation Committee.

3. Board meeting held on April 16, 2007

- 3.1 RESOLVED, That the Board of Directors of A. Soriano Corporation by unanimous concurrence, submits herewith the Statement and Annual Report of the Chairman of the Board and President of the Corporation as its own Report to the Stockholders for the year ended December 31, 2006.
- 3.2 RESOLVED, as it is hereby resolved, that there is hereby declared out of the surplus profits of the Corporation, a cash dividend of TEN CENTAVOS (P0.10) per share on the common stock of the Corporation, payable on May 25, 2007, to all stockholders of record as of the close of business on May 2, 2007, and Mr. Ernest K. Cuyegkeng, the Corporation's Executive Vice President and Chief Financial Officer, is hereby directed and authorized to cause the payment of the said cash dividend on the specified date.

4. Board meeting held on June 18, 2007

- 4.1 RESOLVED, as it is hereby resolved, that the resignation of Mr. Enrique K. Razon, Jr. as Director effective June 18, 2007 is hereby accepted.

RESOLVED, FURTHER, as it is hereby resolved, that Mr. Jose C. Ibazeta is hereby elected to serve as Director for the unexpired portion of the term of office of Mr. Razon.

- 4.2 RESOLVED, That the Corporation be, as it is hereby authorized, to avail of the following credit facilities from Banco de Oro-EPCI, Inc. in the total amount of FOUR HUNDRED MILLION PESOS (P400,000,000.00):

Clean Loan line	P300,000,000
Domestic Bills Purchased Line	100,000,000

and to enter into any contract for the renewal and extension of the foregoing transactions, including, whenever necessary, the restructuring of the loan obligation contracted;

RESOLVED, FURTHER, That any two of the following officers of the Corporation:

Mr. Andres Soriano III	Chairman & Chief Executive Officer
Mr. Eduardo J. Soriano	Vice Chairman and Treasurer
Mr. Ernest K. Cuyegkeng	Executive Vice President and Chief Financial Officer
Mr. Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Executive Assistant and Assistant Corporate Secretary
Ms. Emelinda P. Orozco	Manager (up to P100,000.00 only)

be authorized, as they are hereby authorized, directed and empowered, in the name and for the account of the Corporation, to negotiate for and enter into the foregoing transactions with Banco de Oro- EPCI, Inc. under such terms and conditions as may be acceptable to the aforementioned officers, and to execute, sign and deliver any and all promissory notes, instruments, agreements, contracts and documents that may be necessary and/or required for the implementation of the foregoing transaction;

RESOLVED, FINALLY, That all transactions, warranties, representations, covenants, dealings and agreements by the aforementioned officers of the Corporation with Banco de Oro-EPCI, Inc. prior to the approval of this Resolution are all hereby approved, confirmed and ratified to be the valid and binding acts, representations warranties and covenants of the Corporation.

- 4.3** RESOLVED, That the Corporation is authorized to open a custodianship account with ATR Kim Eng Capital Partners, Inc.-Trust Department, and for this purpose hereby authorizing Mr. Ernest K. Cuyegkeng and Atty. Joshua L. Castro, to sign jointly, all documents that may be required relative to the said account.
- 4.4** RESOLVED, To authorize the Chairman, Mr. Andres Soriano III, the Vice Chairman, Mr. Eduardo J. Soriano, and the Executive Vice President, Mr. Ernest K. Cuyegkeng, or any one of them, to sign proxies, for and in behalf of the Corporation, which are required in all stockholders' meetings of corporations where A. Soriano Corporation holds shares of stock.

5. Board meeting held on September 11, 2007

- 5.1** RESOLVED, That the Corporation, through International Quality Manpower Services, Inc. (IQMAN), is hereby authorized to sign a non-binding Letter of Interest (LOI) relative to its desire to acquire ownership of a nurse staffing agency in the United States at such price and under such terms and conditions that may be deemed to be for the best interest of the Company, hereby authorizing the Company's Executive Vice President and Chief Financial Officer, Mr. Ernest K. Cuyegkeng, to sign the LOI and such other documents that may be required to give full force and effect to this resolution.

6. Board meeting held on December 10, 2007

- 6.1** RESOLVED, that the Corporation is hereby authorized to acquire, whether directly or through a subsidiary, Cirrus Holdings, USA, LLC and Cirrus Medical Staffing, LLC at such price and under such terms and conditions as may be for the best interest of the Corporation.

RESOLVED, FURTHER, that Andres Soriano III, the Chairman and Chief Executive Officer or Ernest K. Cuyegkeng, the Executive Vice President and Chief Financial Officer are hereby authorized to sign any and all documents that may be required to give full force and effect to this resolution, including the authority to designate authorized signatories to any and all documents that that may be required to give full force and effect to this resolution.

- 6.2** RESOLVED, That the Corporation is hereby authorized to invest in the fund to be put up by Aligned Capital the amount of US\$2.5 million and for this purpose hereby authorizing the Corporation's Executive Vice President and Chief Financial Officer, Mr. Ernest Cuyegkeng, to sign all documents that may be necessary to give full force and effect to the foregoing resolutions.
- 6.3** RESOLVED, That the Corporation is hereby authorized to acquire 20% of the outstanding shares of stock of Prople, Inc. for the amount of US\$800,000.00 and under such other terms and conditions as may be for the best interest of the Corporation, hereby authorizing its Executive Vice President and Chief Financial Officer, Mr. Ernest K. Cuyegkeng, to sign

any and all documents that may be required relative to the said investment and to give full force and effect to the foregoing resolution.

- 6.4** RESOLVED, That the Corporation is hereby authorized to invest in the amount of PhP4 million to PhP15 million in the establishment of a training institute that will combine the ideas and practices of dual education system and cooperative education, and further authorizing its Executive Vice President and Chief Financial Officer, Mr. Ernest K. Cuyegkeng to sign any and all documents that may be necessary to give full force and effect to the foregoing resolution.
- 6.5** RESOLVED, That the Corporation is hereby authorize to sell, dispose or retire certain movable assets of the Corporation that are no longer needed, such as, but not limited to, office equipment, furnitures and fixtures, and motor vehicles; hereby authorizing any one of the Chairman and Chief Executive Officer, the Vice Chairman, or the Executive Vice President, to execute and deliver the necessary agreements, deeds of sale and other relevant documents that may be required to give full force and effect to this resolution.
- 6.6** RESOLVED, That the Corporation be empowered and authorized to renew and increase its credit lines with Union Bank of the Philippines in the aggregate amount of ONE HUNDRED FIFTY MILLION PESOS (PhP150,000,000.00);

RESOLVED, FURTHER, That any two of the following officers of the Corporation, namely:

Mr. Andres Soriano III	Chairman & CEO
Mr. Eduardo J. Soriano	Vice Chairman & Treasurer
Mr. Ernest K. Cuyegkeng	Executive VP & CFO
Mr. Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Asst. Corp. Sec.
Ms. Emelinda P. Orozco	Manager
	(up to P100,000.00 only)

be authorized, as they are hereby authorized, directed and empowered, in the name and for the account of the Corporation, to negotiate for and enter into the foregoing transactions with Union Bank of the Philippines under such terms and conditions as may be acceptable to the aforementioned officers, and to execute, sign and deliver any and all promissory notes, instruments, agreements, contracts and documents that may be necessary and/or required for the implementation of the foregoing transaction;

RESOLVED, FINALLY, That all transactions, warranties, representations, covenants, dealings and agreements by the aforementioned officers of the Corporation with Union Bank of the Philippines prior to the approval of this Resolution are all hereby approved, confirmed and ratified to be the valid and binding acts, representations warranties and covenants of the Corporation.

RESOLVED, AS IT IS HEREBY RESOLVED, That the Corporation authorizes BANCO DE ORO to reactivate and close the Corporation's Dollar Savings Account No. 410090190 in Bel-Air Branch;

RESOLVED, FURTHER, That the Corporation authorizes BANCO DE ORO to close its Dollar Savings Account No. 5400047883 at DPC Branch;

- 6.7** RESOLVED FINALLY, That the Corporation be authorized to open and maintain a Dollar Savings Account with BANCO DE ORO Pacific Star Branch hereby authorizing the following signatories to sign, execute and deliver any and all documents, including but not limited to application for letters of credit, promissory note, draft, surety agreement, trust receipt, mortgages, pledge, assignment, and the like, including renewals/extensions/rollover/restructuring thereof, and to sign, countersign, execute and deliver any check, deposit slips, withdrawal slips, application to purchase manager's checks, stop payment order, application for telegraphic transfer, demand draft, specimen cards or any and all documents or papers necessary in order to effectuate the foregoing matters, in the following manner:

Joint Signatures of any two of the following:

Mr. Andres Soriano III	Chairman & CEO
Mr. Eduardo J. Soriano	Vice Chairman & Treasurer
Mr. Ernest K. Cuyegkeng	Executive VP & CFO
Mr. Jose C. Ibazeta	Director
Atty. Joshua L. Castro	Asst. Corp. Sec.
Ms. Emelinda P. Orozco	Manager
	(up to P100,000.00 only)

7. Board meeting held on February 26, 2008

- 7.1** RESOLVED, as it is hereby resolve, to authorize the Corporation to issue a Letter of Comfort for the Credit Facility

granted by UnionBank of the Philippines (“UnionBank”) to International Quality Manpower Services, Inc., (“IQMAN”) in the amount of Fifty Million Pesos (P50,000,000.00), and for this purpose, hereby authorizing, Mr. Ernest K. Cuyegkeng, the Corporation’s Executive Vice President and Chief Financial Officer to execute and sign said Letter of Comfort.

Said resolution of the Board of Directors shall be approved, confirmed and ratified by the Corporation’s stockholders during the annual meeting of the stockholders on April 14, 2008, to read as follows:

RESOLVED, as it is hereby resolved, to approve and confirm the authority granted to the Corporation to issue a Letter of Comfort for the Credit Facility extended by UnionBank of the Philippines (“UnionBank”) to International Quality Manpower Services, Inc., (“IQMAN”) in the amount of Fifty Million Pesos (P50,000,000.00), and for this purpose, hereby confirming and ratifying the authority granted to Mr. Ernest K. Cuyegkeng, the Corporation’s Executive Vice President and Chief Financial Officer to execute and sign said Letter of Comfort.

SUPPLEMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATION

A. Soriano Corporation ("Anscor") was incorporated on February 13, 1930.

Anscor is a Philippine holding company with diverse investments. Anscor major investment is in Phelps Dodge Philippines Energy Products Corporation ("PDP Energy") which manufactures wire and cable products and has other investments in companies engaged in a wide range of activities in the Philippines including tourism, aviation, call center, nurse deployment, broadband services and real estate. As a holding company, the principal sources of income for Anscor are: the share in net earnings of the companies in which it has investments, management fees, interest income, dividends and gains from the sale of investments and the trading gain on marketable securities.

As of 31st December 2007, the Company's consolidated total assets stood at P9.69 billion. During the year ended 31st December 2007, consolidated revenues of the Company amounted to about P6.02 billion.

Anscor's growth strategy can best be appreciated as a balanced mix of viable investment choices that attempt to ensure steady and increasing shareholder returns and future potential.

The Company's strategic intent, to expand into endeavors that possess exciting long-term growth and profit potential, while enabling Filipinos to excel in careers in the global economy.

Worldwide interest in travel and tourism is rising, and Anscor, through its affiliate Seven Seas, is particularly keen on attracting that segment of the market that seeks the finest in comfort, amenities and discretion.

Demographics will drive growth in the healthcare industry. The U.S. population is projected to increase by 18 % between the years 2000 and 2020, the proportion of people over 65 years of age will climb to 17% of the total, and hospital use is significantly higher in this age group. The prospects for this field are very positive and your Company's investment in IQMAN and Cirrus will provide a strong base for participation in this exciting space.

Finally, what used to be a merely cost-conscious tactic of moving non-core jobs offshore to take advantage of cheap labor is now a deliberate thrust to derive quality, speed, innovation and superior value from the best-educated and IT-literate workers in developing economies. Few companies now hope to be globally competitive without the elements of outsourcing, offshoring, and creative networking in their overall business strategy.

In all three areas of endeavor – tourism, healthcare, and business and knowledge process outsourcing – Filipino talent, and Anscor, can make a difference. However, a disparity between what the educational system currently delivers, and what employers actually need, limits the extent to which these growth areas can be aggressively pursued. Closer coordination between industry and the academe, in education and on-the-job student training, can help address this imbalance.

In this regard, preparatory work is being undertaken by a third party to combine approaches and ideas of the dual educational (dual-tech) and cooperative education (coop) systems. Dual-tech, which originated in Europe, integrates within one course apprenticeship in a company with vocational education at school. On the other hand, coop integrates classroom learning through work experience in a field related to a student's academic or career goals. A combination of best practices may better equip graduates for both immediate employment and long-term employability.

Over the last three years, consolidated revenues and net income from operations are as follows (in thousand pesos):

	2007	2006	2005
REVENUES			
Sales	4,794,451	4,035,146	2,929,576
Interest income	151,976	101,447	48,704
Services and others	149,132	194,348	132,670
Dividend income	68,474	42,071	16,357
Equity in net earnings of associates	34,756	130,629	247,289
Others	-	7,123	-
	5,198,788	4,510,764	3,374,596
INVESTMENT GAINS			
Gain on sale of AFS investments	548,327	611,751	240,356
Gain on increase in market values of FVPL investments	171,212	197,738	186,857
Gain on sale of investment properties	102,058	-	-
Gain on sale of International Container Terminal Services, Inc. (ICTSI)	-	2,784,367	-
	821,597	3,593,856	427,213
TOTAL REVENUES	6,020,385	8,104,620	3,801,809
NET INCOME	695,670	3,129,442	677,008
Attributable to:			
Equity holdings of the parent	619,782	3,043,413	637,322
Minority interests	75,888	86,029	39,686
	695,670	3,129,442	677,008

A. Soriano Corporation has the following direct/indirect subsidiaries/associates as of December 31, 2007:

<u>Company</u>	<u>% of Owner ship</u>	<u>Business</u>	<u>Jurisdiction</u>
A. Soriano Air Corporation	100%	Service/Rental	Philippines
Pamalican Island Holdings, Inc.	62%	Holding Company	Philippines
Island Aviation, Inc.	62%	Air Transport	Philippines
Anscor Consolidated Corporation	100%	Holding Company	Philippines
Anscor Insurance Brokers, Inc.	100%	Holding Company	Philippines
Anscor International, Inc.	100%	Holding Company	British Virgin Island
International Quality Healthcare Investments, Ltd.	100%	Manpower Services	British Virgin Island
Medtivia, Inc.	100%	Manpower Services	USA
Cirrus Holdings USA, LLC	100%	Manpower Services	USA
Cirrus Medical Staffing, LLC	100%	Manpower Services	USA
Anscor Land, Inc.	100%	Real Estate Holding & Management	Philippines
Anscor Property Holdings, Inc.	100%	Real Estate Holding	Philippines
Makatwiran Holdings, Inc.	100%	Real Estate Holding	Philippines
Makisig Holdings, Inc.	100%	Real Estate Holding	Philippines
Malikhain Holdings, Inc.	100%	Real Estate Holding	Philippines
ASC Mining and Industrial Corp.	100%	Quarry Asset	Philippines
Toledo Mining and Industrial Corporation	100%	Quarry Asset	Philippines

<u>Company</u>	<u>% of Owner ship</u>	<u>Business</u>	<u>Jurisdiction</u>
Sutton Place Holdings, Inc.	100%	Holding Company	Philippines
International Quality Manpower Services, Inc.	62%	Manpower Services	Philippines
International Quality Healthcare Professional Connection, LLC	62%	Manpower Services	Houston, Texas, United States
Vesper Industrial and Development Corp.	60%	Real Estate Holding	Philippines
Phelps Dodge Philippines, Inc	58%	Holding Company	Philippines
Minuet Realty Corporation	58%	Landholding	Philippines
Phelps Dodge Philippines Energy Products Corporation	58%	Wire Manufacturing	Philippines
Phelps Dodge Philippines Energy International Corporation	58%	Wire Manufacturing	Philippines
Asiaview Realty & Development Corporation	50%	Realty	Philippines
Seven Seas Resorts and Leisure, Inc. New Co, Inc.	46%	Resorts	Philippines
	45%	Real Estate	Philippines
Anscor-Casto Travel Corporation	44%	Travel Agency	Philippines
Vicinetum Holdings, Inc.	27%	Holding Company	Philippines
Columbus Technologies, Inc.	27%	Holding Company	Philippines
Multi-media Telephony, Inc.	27%	Broadband Services	Philippines
Prople, Inc.	20%	Business Processing & Outsourcing	Philippines
Prople-bpo, Inc.	20%	Business Processing & Outsourcing	Philippines
Prople-kpo, Inc.	20%	Business Processing & Outsourcing	Philippines
Prople-contents, Inc.	20%	Business Processing & Outsourcing	Philippines
KSA Realty Corporation	11%	Realty	Philippines
eTelecare International, Inc.	7%	Call Center	Philippines

Investments

Phelps Dodge Phils. Energy Products Corporation (PDP Energy)

PDP Energy is the leading domestic integrated manufacturer of quality wires and cables.

Phelps Dodge (PDP), the parent company of PDP Energy, was incorporated in 1955 and commenced production in 1957. Its product line is composed principally of copper-based wires and cables including building wires, telecommunication cables, power cables, automotive wires and magnet wires. The principal shareholders of PDP are Anscor and Phelps Dodge International Corp. (PDIC) which is owned by General Cable Corporation, the 2nd largest wire and cable manufacturing firm. PDP Energy has a technical assistance contract with Phelps Dodge International and a management contract with Anscor covering marketing, administration and finance. The management contract provides, among others, for payment of annual management fees amounting to P7.2 million (VAT inclusive) plus certain percentages of audited income before tax and management and technical assistance fee (VAT exclusive). The technical assistance agreement also provides annual payment amounting to a certain percentage of audited income before tax and management and technical assistance fee (VAT exclusive). The strategy of PDP Energy is to focus on the production of higher value-added wire and cable products. All the manufacturing operation effective September 1998, was lodged under PDP Energy.

The principal products and percentage of contribution to sales are as follows:

<u>Product Line</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Building wires	75%	69%	68%
Communication/Special	7%	8%	9%
Autowires	6%	6%	7%
Power Cables	2%	4%	3%

PDP Energy's sales outside of Metro Manila increased with the appointment of new provincial dealers and gained new business from wire harness and car manufacturers, whose orders rose 33% and 12%, respectively. PDP Energy's productivity efforts, notably its lean manufacturing structure and reorganized logistics systems, have doubled capacity and improved inventory delivery levels and cycle time.

PDP Energy's clients include telecommunication companies, contractors, building developers, power companies, government corporations and other industrial companies.

At present, PDP Energy's major suppliers of copper rods are Marubeni, Kembla, Kuniosa, Daewoo and Glencore; suppliers of Aluminum are Mitsui & Co. Ltd. and Kanematsu, suppliers of chemicals are Matsuyama, Mitsui and Electro Marketing; suppliers of jelly are Phelps Dodge International Corp. and BP Chemical.

The Philippine wire and cable industry is comprised of both imported and domestically manufactured products. The leading four manufacturers in terms of sales are Phelps Dodge, American Wire and Cable Co., Inc., Columbia Wire and Cable Corp. and Philflex Cable Corp.

New products and services, strong copper prices and an outstanding efficiency and safety record pushed Phelps Dodge Philippines Energy Products Corporation's (PDP Energy) revenues to P4.8 billion an improvement of 18.8% while net profit reached P253.4 million, a slight increase over the previous year.

With technical assistance from Phelps Dodge International, PDP Energy introduced aluminum building wire to the local market and has secured orders for delivery in 2008. Cable Tray Rated THHN Building Wire, Flat Anti-Theft Cable, and Low Smoke Halogen Free Cable, all launched earlier, continued to win customer acceptance. The company's safety record topped 1.8 million man-hours without recordable incidents, and the lean manufacturing system continued to reduce set-up time and boost the daily production output rate. Additional facilities will be installed in 2008 to manufacture Dry-cured Medium Voltage Power Cable. The bulk of the new production line's output will be exported through PDP Energy's affiliates worldwide, and a new PEZA-registered company has been formed for this purpose.

The company celebrated its 50th anniversary in 2007, firmly establishing its industry leadership in providing products associated with quality, safety, and innovation in the cable and wire industry.

Seven Seas Resorts and Leisure, Inc. (SSRLI; owner of Amanpulo Resort)

Seven Seas Resorts and Leisure, Inc. was incorporated on August 28, 1990 for the primary purpose of planning, developing, operating and promoting a portion of Pamalican Island as a world class resort named Amanpulo. The resort started commercial operations on January 1, 1994.

Seven Seas owns a 40-room resort in Pamalican Island and operates two luxurious villas, each villa comprising four (4) rooms. Seven Seas is a joint venture among Anscor, Palawan Holdings, Inc., Aboitiz & Co., and the holding companies of the Soriano Family.

As a resort, principal products/services offered are as follows:

<u>Products/Services</u>	<u>Markets</u>	<u>Contribution to revenues</u>
Rooms	Local & international	61.46%
Food and Beverage	-do-	24.32%
Others	-do-	14.22%

The resort's services are offered through the worldwide Amanresort marketing group based in Singapore, accredited travel agents, reservation sources/systems and direct selling.

Amanpulo is in competition with all other small 5 star resort companies in other destinations that are generally better known than the Philippines, such as Indonesia, Thailand and Malaysia. At present there are no direct competitors to Amanpulo in the Philippines in the triple A category.

Seven Seas entered into several agreements with Silverlink Group of Companies for the development, operation and promotion of Amanpulo. The term of the agreement is for 5 years, subject to renewal upon mutual agreement of both parties. The original contract expired in December 1998, was renewed last December 2003 and effective until December 2008. These agreements are as follows: (1) Operating and Management Agreement, (2) Marketing Services Contract and (3) License Contract.

With occupancy at Amanpulo rising to 57.3% in 2007, compared to 51.6% in 2006, and average room rate higher at US\$677 from US\$659, total revenues climbed 5% to P437.9 million.

However, as room rates and fees for use of other facilities are quoted in US dollars, the rapid appreciation of the Philippine peso affected net operating profit, which rose only 2.2% to P159 million. Net income of P75.6 million, as against the previous year's P52.7 million, was contributed mainly by the gain in foreign exchange translation on the company's dollar-denominated loan. In the first quarter of 2007, Seven Seas redeemed preferred shares of about P40 million out of cash from resort operations in 2006.

The Phase II Villa development project will be completed by mid-2008. As reported last year, the seven villas were fully sold early on, producing substantial cash for capital expenditure. The villas, which upon turnover will be managed and operated by Seven Seas, translate to 28 additional rooms which will increase the Resort's revenue potential and improve sharing of costs of power generation, water supply and other support facilities. Other infrastructure projects during the year include a center for water sports activities, a shop for dive operations, a second Beach Club, and an upgrade of spa facilities.

Amanpulo reclaimed its top of Gallivanter's Guide ratings as "Best Small Hotel/Resort Under 100 Rooms" and "Best Resort in Southeast Asia" for 2007. The publication ranked Amanpulo No. 2 and No. 3 in these categories the year before.

International Quality Manpower Services, Inc. (IQMAN)

IQMAN was registered and incorporated on May 14, 1999 primarily to engage in the business of recruitment of overseas workers. IQMAN takes placements of Filipino nurses in the United States of America.

IQMAN is a 62%-owned subsidiary of Sutton Place Holdings, Inc. (Sutton). Its ultimate parent company is A. Soriano Corporation.

In November 2004, IQMAN acquired 100% ownership interest in International Quality Healthcare Professional Connection, L.L.C. (IQHPC), a limited liability corporation organized under the law of the state of Texas, United States of America.

IQMAN has succeeded in its bid to hold the U.S. nursing licensure examination (NCLEX) in Manila. This will save transportation and hotel costs allowing more candidates to fulfill this testing requirement. These exams were previously held outside the Philippines.

The temporary ban on issuance of immigration visas which the U.S. State Department re-imposed in late 2006 has not been lifted despite the American Hospital Association's efforts to resolve the issue. Consequently, International Quality Manpower Services, Inc. (IQMAN) reported minimal deployment of nurses and physical therapists in 2007, representing 12% of positions contracted at the start of the year, and a 77% drop from deployments made in 2006. With substantial reduction in revenues, the company incurred losses in 2007 and the carryover of losses is expected in 2008. This scenario has affected the entire nurse recruitment business catering to the U.S. market and around the world.

With the growing demand for healthcare services in the US, IQMAN, with the lobbying efforts of the American Hospital Association to lift the ban, is certain the issue will be resolved. IQMAN albeit on a lower scale continues to engage in hospital contract discussions and focuses on nurse recruitment and assimilation activities in its four branches in key Philippine cities. The conduct in Manila of the National Council Licensure Examination (NCLEX) for the first time last year is further reason for optimism over the long-term prospects of healthcare recruitment and placement as this reduces the company's operating cost.

It's estimated that 8 to 10% of total nursing positions in U.S. hospitals are currently vacant, and the U.S. Bureau of Labor Statistics estimates that the country will need an additional 1.2 million nurses by 2014. To capitalize on these opportunities, IQMAN is engaged in contract discussions with several healthcare systems for the placement of its pool of 500 nurses and has implemented measures to improve nurse recruitment, training and assimilation activities in key cities in the Philippines.

Other Investments

eTelecare Global Solutions, Inc.

eTelecare's call center operations provide a full range of web-enabled call center services to companies relating to customer relationship management services, technical help desk and market research. Revenue sources are generated primarily from the United States and Europe.

On March 28, 2007, the company completed its initial public offering in the U.S., with 11 million common shares in the form of 5.5 million American Depositary Shares listed in the NASDAQ Global Market, representing 20% of the company. The common shares were also introduced in the Philippine Stock Exchange on November 20, 2007, and are now traded under the symbol "ETEL." Revenues increased to US\$259.9 million, a 33% gain over 2006, while net income rose 88.5% to US\$23.0 million. The continuing demand for offshore services in the Philippines contributed to record fourth quarter results and the strongest top-line performance in the firm's history.

Revenues increased to US\$259.9 million, a 33% gain over 2006, while net income rose 88.5% to US\$23.0 million. The continuing demand for offshore services in the Philippines contributed to record fourth quarter results and the strongest top-line performance in the firm's history.

In September 2007, eTelecare acquired all the outstanding stock of AOL Member Services Philippines, Inc. (AOL Philippines), a wholly-owned subsidiary of AOL, a division of Time Warner, Inc. AOL Philippines operates a 7,200-seat customer care and technical support delivery center near Manila. The acquisition allows eTelecare to expand servicing of e-mail, chat and other non-voice needs of existing and potential clients. The company also recently announced establishment of a unit in the United Kingdom to comply with contractual requirements of Virgin Media, a new UK-based client offering television, internet, mobile phone and fixed line phone services. Another notable investment in site expansion is the Annex@Shaw facility, with a capacity of 1,000 seats, which are expected to operate at full capacity by the fourth quarter of 2008.

eTelecare has once again won the Marketing Via Phone (MVP) Quality Award (integrated inbound and outbound business-to-consumer category) of Customer Inter@ction Solutions magazine. The company has earned more than 65 global awards since 2000.

KSA Realty Corporation (KSA)

KSA was registered with the SEC on August 3, 1990. Anscor exchanged its old building located at Paseo de Roxas, Makati in 1990 for an 11.42 percent stake in KSA Realty Corporation, which developed The Enterprise Center (TEC), a two tower, grade A office building located at the corner of Ayala Avenue and Paseo de Roxas in Makati. Other shareholders in KSA are Kuok Philippine Properties, Inc., San Miguel Properties Philippines, Inc., and Rodamco Philippines B.V. Anscor purchased the 34th floor in one of the towers, which represents approximately 1,189 square meters of floor space. The Enterprise Center starting January 1999 was offered for office space rental. TEC is registered with PEZA as an information technology building.

Total occupancy at KSA's TECr stayed at 99% as the Makati Central Business District added no new office space. Total rent revenues rose to P622.8 million and net income to P458.1 million, representing increases of 18% and 73%, respectively, due to the gain in fair value of investment property of P221 million and higher average lease rates.

A total of P200 million in cash dividends were declared and paid, of which P22.8 million accrued to Anscor.

The TEC continues to upgrade its facilities to maintain its status as the prime and preferred location for leading local and international corporations.

Multi-media Telephony, Inc. (MTI)

MTI, a wholly owned subsidiary of Columbus Technologies, Inc. (CTI), was incorporated in the Philippines on September 20, 1993. MTI offers broadband services through a technology called local multipoint distribution system (LMDS). Its network is made up of wireless transmitters that are capable of providing high-speed internet and data access, voice, as well as virtual private networks, web hosting, internet data center and e-business applications.

The Company operates point-to-multipoint microwave networks to cover 70% of Metro Manila, and is capable of offering up to 1 Mbps in committed data speed. MTI has also wired-up 63 buildings located in the heart of Makati and Ortigas business districts, where it is capable of delivering very high speed data services.

In 2005, MTI started its first phase of the CDMA Rollout Project with substantial equipment and software acquisition of US\$20.6 million for a Metro Manila network coverage involving 83 base stations. This "next generation" technology allows more efficient use of bandwidth that provides lower rates to users, ability to support high-speed data and above average voice capabilities. At the end of 2005, MTI had completed the activation of 61 base stations covering Makati Commercial Business Residential Districts, Binondo, and parts of Shaw Boulevard, Ortigas CBD, Cubao, Aurora Boulevard and Alabang area.

With this initial network coverage, in October 2005, MTI introduced two new services – (1) Basic Phone Service and (2) Personal Wireless Broadband. The Basic Phone Service offers unlimited local calls and short messaging service or SMS (within the MTI network) at a fixed monthly service fee plus National Direct Dialing, International Direct Dialing and fast dial up connection (at speeds of 70 kbps to 120 kbps) at very competitive rates per minute. In the same month, all interconnection circuits with PLDT were opened that enable MTI to provide 2-way calling from its subscriber base to the PLDT fixed-line network. The Personal Wireless Broadband offers unlimited high-speed data connectivity to mobile devices at speeds of 300 kbps to 700 kbps for a fixed monthly service fee.

While awaiting approval of pending applications with the National Telecommunications Commission for service area and service offering expansion, Multi-Media Telephony, Inc. (MTI) has completed a restructuring program that reduces operating costs by focusing on core technical competencies and outsourcing the customer service, billing and collection, information technology and related functions. The company continues to provide traditional voice services through its CDMA 1x network and mobile broadband services through EVDO, as the broadband data market is expected to continue to grow rapidly.

In a landscape currently dominated by telco giants, MTI's immediate objective is the forging of a strategic partnership that recognizes its core competencies while addressing those aspects of operations that need augmentation.

MTI has tied up with a telecommunication company for the expansion of the latter's fixed wireless telephone subscriber base. This venture has achieved the expected results since its introduction in July 2007.

A Soriano Air Corporation (ASAC)

ASAC was incorporated on March 28, 1985 to engage in the general business of a common and/or private carrier. Effective January 1, 1995, the Company ceased its operations and transferred its license as operator of a common and/or private carrier to IAI (formerly ASAI).

In May 2003, ASAC took over the IAI's hangar lease and the ground handling and avionics-related services that were previously performed by ASAI. Subsequently, ASAC resumed its commercial operations.

Pamalican Island Holdings, Inc. (PIHI)

The Company was registered with the Securities and Exchange Commission on May 18, 1995 and has started commercial operations on June 2, 1995. Its primary purpose is to acquire, purchase, sell or dispose of airplanes, flying machines, or freight, or as common carriers on regularly established routes; to maintain a service station for the repair, overhauling and testing of said machines and dirigible balloons of any and all types whatsoever; to deal in parts and supplies for said machines; and, to carry for hire passengers, and to maintain supply depots for airplane and flying machines service generally.

On January 20, 1999, the Company temporarily stops its air charter operation and subsequently change the nature of its business to holding company.

On June 8, 2001, the SEC approved the amended articles of incorporation of the Company. Amendments to the First Article to change the name of the Corporation from Island Aviation, Inc. to Pamalican Island Holdings, Inc. and the Second Article to change the primary purpose of the Corporation – to acquire by purchase, lease, donation or otherwise, and to own, use, sell, mortgage, exchange, lease and hold for investment or otherwise, properties of all kinds, and improve, manage or otherwise dispose of buildings and houses, apartments, and other structures of whatever kind together with their appurtenances.

Island Aviation, Inc. (IAI; formerly A. Soriano Aviation, Inc., ASAI)

IAI is the PIHI's wholly owned charter airline operation registered with the SEC on January 27, 1987. In May 2003, ASAI was renamed IAI, it resumed its air service operations while other activities such as aircraft hangarage, ground handling and avionics-related services and sale of parts were transferred to A. Soriano Air Corporation (ASAC).

IAI is now the exclusive air service provider of SSRLI/Amanpulo Resort.

Anscor Consolidated Corporation (Anscorcon)

The Company was registered with the SEC on April 8, 1995 primarily to invest the Company's fund in other corporations or businesses and to enter into, make, perform and carry out contracts of every kind and for any lawful purpose pertaining to the business of the Company, or any manner incident thereto, as principal agent or otherwise, with any person, firm, association or corporation.

This used to hold the Anscor Group stake in ICTSI which was sold last May 2006.

Anscor Land, Inc. (ALI)

The Company was registered with the SEC on July 7, 1997. Its primary purpose is to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise real estate of all kinds, including buildings, houses, apartments and other structures. The Company started commercial operations on January 1, 2000.

On March 22, 1999, the Company entered into a project agreement with GRRD Realty Holdings Corp. (GRRD) to develop townhouse units on GRRD's property in Quezon City.

In September 2002, the Company entered into a formal agreement with some tenants to lease townhouse units for the period of two years subject to certain terms and conditions.

The Company is presently managing and maintaining all real estate properties of Anscor group.

Anscor Property Holdings, Inc. (APHI)

The Company's wholly owned subsidiary, Anscor Property Holdings, Inc. (APHI; formerly Anscor Land Management and Development Corporation) is Anscor's landbanking company. APHI has interests in land covering an area of approximately 830.12 hectares in Berong, Palawan, 11.06 hectares in San Vicente, Palawan and parcels of land with a total area of 25.70 hectares in Cebu. Also, APHI owns a lot at the Cebu Business Park and about 1.27 hectare properties in Puerto Princesa.

The Company was registered with the SEC on January 7, 1986.

Summary of Mineral Rights

Location	MPSA Application	Mineral Areas	Remarks
Cebu	3 applications For copper	2,997 hectares	Not yet approved by DENR
Masbate	3 applications For gold	1,926 hectares	Not yet approved by DENR
Camarines Norte	1 application For gold	3,078 hectares	Not yet approved by DENR
Surigao	2 applications For gold/copper	243 hectares	Not yet approved by DENR

Anscor Insurance Brokers, Inc. (AIB)

AIB is wholly-owned by Anscor and is involved in the business of insurance and reinsurance brokering. AIB was registered with SEC on January 3, 1979.

The Company started out as the in-house general insurance agent of the Anscor Group of Companies in the late 1930's and was transformed into professional broker in 1979. It is licensed to do both direct insurance and reinsurance brokering.

The continuing stiff competition, soft market conditions and economic crisis accounts for the lower revenues for the past years. The Company streamlined its operations in 1996 and implemented cost-cutting measures.

Anscor decided to phase out from the insurance brokerage business as it was no longer in a position to remain competitive and viable on its own. AIB entered into an agreement in November 2002 with Zuellig Insurance Brokers, Inc. to absorb AIB's existing insurance portfolio and to service Anscor's insurance needs. In 2004, AIB did not renew its insurance broker license. The Company is in the process of amending its name and purpose with the Securities and Exchange Commission.

Anscor-Casto Travel Corporation

Anscor-Casto Travel Corporation (ACTC) was registered with SEC on March 22, 1983 to engage in all forms of business related to the tourism industry.

Following the sale in September 1996 of a 51 percent stake to Casto Travel, a San Francisco-based travel agent, Anscor has a 44 percent stake in ATC. In 2001, the Company's name was changed to Anscor-Casto Travel Corporation.

ACTC's principal products are airline tickets, package tours, services like passporting, visas and immigration clearances.

ATC maintains sales staff to reach its target markets. Airline ticket booking is being done directly through the airline reservations' system.

Sutton Place Holdings

The Company was registered with the SEC on May 22, 1997, primarily to purchase, subscribe for or otherwise acquire and own, hold, use, manage, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description.

Sutton's 61% holding of IQMAN represents Anscor's interest in a nurse deployment business based in Intramuros, Manila with sales office in Houston, Texas, USA.

Vesper Industrial and Development Corporation

The Company was registered with the SEC on October 15, 1997 primarily to acquire by purchase, lease, contract, concession, or otherwise any and all real estate, land, land patents, opinions, grants, concessions, franchises and other rights, privileges, easements, estates, interests and mineral properties of every kind and description.

The Company has not yet started commercial operations as of December 31, 2006.

ASC Mining and Industrial Corporation (ASMIC)

The Company was registered with the SEC on July 13, 1994 primarily to carry on the business of operating coal mines and prospecting, exploration and of mining, milling, concentrating, smelting, treating, refining, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in all other kinds of ores, metals and minerals, hydrocarbons, acids and chemicals and in the products and by-products of every kind and description and by whatsoever process, the same can be or may hereafter be produced.

The Company has not yet started commercial operations as of December 31, 2006.

Toledo Mining and Industrial Corporation (TMIC)

The Company was registered with the SEC on April 27, 1995 primarily to carry on the business of operating coal mines and prospecting, exploration and of mining, milling, concentrating, converting, smelting, treating, refining, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in all other kinds of ores, metals and minerals, hydrocarbons, acids and chemicals and in the products and by-products of every kind and description and by whatsoever process, the same can be or may hereafter be produced.

The Company has not yet started commercial operations as of December 31, 2006.

Proposed Merger

Management plans to merge ALI, AIB, ASMIC and TMIC with APhi, where the latter will be the surviving entity.

New Investments

To tap the long-term potential of the healthcare industry and to provide a platform to place Philippine nurses directly, Anscor in January 2008, through its U.S.-based subsidiary Medtivia, Inc., entered into a Purchase Agreement to acquire the outstanding equity interests in Cirrus Holdings USA, LLC and its affiliate Cirrus Medical Staffing, LLC, collectively known as Cirrus. The purchase price of US\$14 million will be funded by internally generated cash.

The first North Carolina-based healthcare staffing company to earn the coveted Joint Commission on Accreditation of Healthcare Organizations (JCAHO) certification, Cirrus recruits and places nurses and allied professionals in some 150 acute care hospitals and healthcare facilities all over the U.S. Some 91% of its business is in the travel nursing segment, which places nurses for periods of three months or longer (versus per diem nursing, where nurses fill in one to three shifts). Temporary healthcare staffing services allow Cirrus' clients to manage short- and long-term staff shortages cost-effectively, without having to assume the burdens associated with recruitment and fixed overheads.

On May 2007, Anscor International, Inc. purchased 10% of the shares of Direct With Hotels, Inc. for US\$500,000. Direct With Hotels is engaged in online reservations for hotels, and specializes in launching, marketing and maximizing the performance of partner hotels' websites. Its target market is small and medium-sized chains and independent hotels in Asia Pacific, Africa, North America and Latin America.

Last December, Anscor signed a Subscription Agreement to acquire 6,665 shares – equivalent to 20% – of Prople, Inc. for US\$800,000. Prople derives its name from its key strengths – PROcess and peoPLE – mobilized for growth opportunities in business process outsourcing, knowledge process outsourcing and content services. Three business lines offer its target markets a complete suite of outsourcing solutions of ascending complexity: Prople-bpo, specializing in finance and accounting, human resources administration, and transaction and payroll processing; Prople-kpo, offering industry and market analysis, research, valuation and other services requiring more customized technical and analytical skills; and Prople-content, which will center on multi-media deployment of content, rich media conversion, assembly and editing, brand marketing and communication planning.

Other Information

Except as discussed above, disclosures of the following information are not applicable for the registrant and its subsidiaries:

Business Development

- Bankruptcy, receivership or similar proceedings
- Material reclassification, merger, consolidation or purchase or sale of a significant amount of asset

Business of the Issuer

- Distribution methods of the products or services
- Status of any publicly-announced new product and services
- Competition
- Transaction with and/or related parties
- Patents, trademarks, copyrights, licenses, franchises, royalty, etc.
- Need for any government approval of principal products and services
- Effect of existing or probable governmental regulations on the business
- The amount spent on development activities and its percentage to revenues during each of the last three years.

Anscor and its subsidiaries are not aware of any major risks involved in their businesses except for those discussed in pages 54 to 59 of the 2007 annual report.

Employees

The Company and the Group as of December 31, 2007, has 20 and 239 employees, respectively. Breakdowns are as follows:

	Parent	Subsidiaries	Group
Management	8	46	54
Rank and file	<u>12</u>	<u>193</u>	<u>205</u>
TOTAL	<u>20</u>	<u>239</u>	<u>259</u>

- The Company and the Group were not subjected to any employees' strike in the past three years nor there will be threatening strike for the ensuing year.
- Employees of the Group are not subject to Collective Bargaining Agreement (CBA).
- The Group provides various employee benefits including health care and retirement benefits and has enjoyed good labor relations in the past.

Properties

Anscor owns and maintains its office at 7/F, Pacific Star Building in Makati City with approximately 2,000 square meters. It also owns one (1) floor at the Enterprise Center, Ayala Ave., Makati City with an area of 1,189 sq. meters.

Information regarding properties of major subsidiaries and affiliates are:

PDP Energy plants are situated on an 18.4 hectare property owned by Phelps Dodge's wholly owned subsidiary, Minuet Realty Corporation in the Luisita Industrial Park in San Miguel, Tarlac.

Seven Seas owns a 40-room resort in Pamalican Island, called Amanpulo. This covers about 75 hectares of land, with 40 room casitas of about 65 sq. meter each and back of house facilities to service its power and water and staff house requirements.

APHI has interests in land covering an area of approximately 830.12 hectares in Berong, Palawan, 11.06 hectares in San Vicente, Palawan and parcels of land with a total area of 25.70 hectares in Cebu. Also, APHI owns a lot at the Cebu Business Park and about 1.27 hectare properties in Puerto Princesa.

Asiaview Realty & Development Corporation, a 50-50 venture with ICTSI, holds the right to 409.5 hectares of land in Lipa, Batangas.

Vesper Realty and Development Corporation, a 60-40 venture with the former cement partner, holds the right to 42 hectares of land in Toledo City, Cebu.

Other Information:

- The registrant is not involved in lease contracts requiring it to pay substantial amount of rental fees.
- There were no commitments for major capital expenditures or acquisitions of properties in the next twelve months.

Financial Condition

There were no significant changes in the Company's Consolidated Balance Sheet as of December 31, 2007 versus December 31, 2006.

Cash and Cash Equivalents

The increase in cash and cash equivalents of P890.51 million in 2007 were mainly due to net proceeds of about P714.66 billion, mainly from sale of AFS and FVPL investments. Net Cash from operating activities of about P315.52 million partially reduced by payments of dividends and bank loans amounting to P138.78 million and P50.79 million, respectively. Details of cash and cash equivalents movements can be traced in the Consolidated Statements of Cash Flows of the Audited Financial Statements.

Fair Value Through Profit and Loss (FVPL) Investment

The change in the account can be attributed to disposal of investments mostly in foreign denominated investment in bonds, funds and equities of about P1.80 billion. Additions for the period amounted to P1.33 billion. There was also an increase in market value of P83.0 million from December 31, 2006 to December 31, 2007.

Foreign exchange loss from translation of foreign denominated investments also reduced the FVPL investments.

Receivables

The increase in the account balance was mainly attributable to trade receivable of PDP Energy booked for the period. Increase in other receivables pertains to the proceeds from sale of AFS investments amounting to P33.7 million which were subsequently collected in 2008.

Inventories

Minimal raw material purchases were made as of end December 2007 by the wire manufacturing subsidiary.

Prepayments and other assets

Change in the account balance can be attributed to addition on prepaid expenses mainly insurance and taxes.

Investments and Advances

The increase in investments and advances was mainly due to equity earnings of associates of about P34.76 million, offset by the redemption by Seven Seas of Anscor's investment in preferred shares amounting to P19.1 million.

Available for Sale (AFS) Investments

Change in the account can be attributed to P2.53 billion additional investments mostly in equities shares less P2.06 billion disposals made during the period. There was an increase in market value of AFS investments which was booked as unrealized valuation gain and this amounted to P505.21 million, bulk of which pertained to holding of Anscor in eTelecare shares which are both listed and traded in the NASDAQ Global Market and Philippine Stock Exchange effective 2007. Foreign exchange loss from translation of foreign denominated investments in stocks partially reduced the increase in AFS investments.

Property, Plant and Equipment

Depreciation charged to operations amounted to P85.53 million. Net additions to property and equipment amounted to P62.9 million.

Investment Properties

In February 2007, Anscor Property Holdings, Inc., (APHI) sold one of its lots in Cebu Business Park. Gain arising from the sale amounted to P47.4 million.

In May 2006, APHI entered into a Memorandum of Agreement with another company for the sale of certain lots. The purchase price amounted to US\$1.2 million. The sale was completed in May 2007. Gain arising from the sale amounted to P54.7 million.

Wholly owned subsidiaries of APHI acquired new raw lots in San Vicente, Palawan valued at P38.59 million.

Depreciation for the period amounted to P10.38 million.

Deferred Income Tax (Asset Account)

The increase in this account pertains mainly to future tax benefit of unrealized foreign exchange loss that can be used up by the parent company upon the future sale of some of its investment assets.

Other Noncurrent Assets

The increase in other noncurrent assets was mainly attributable to additions in deferred nurse costs of IQHPC. Portion of the deferred costs for nurses not yet deployed in the US as of December 31, 2007 amounted to P29.9 million.

Notes Payable

The increase is attributable to short-term loan made by the parent company for its working capital requirements.

Current Portion of Long-term Debt

The decrease in the account can be attributed to payment of debt by the subsidiaries.

Accounts Payable and Accrued Expenses

Change in the account can be attributed to higher trade payable of subsidiaries which was subsequently paid in 2008.

Dividends Payable

These dividends payable represent mainly dividend checks that were returned by the post office and which remained outstanding as of December 31, 2007 due to problematic addresses of some of the Company's stockholders.

Income Tax Payable

The decrease in income tax payable was due to slight reduction in taxable income of the manufacturing subsidiary.

Advances from Customer

In June 2003, SSRLI entered into an agreement with IAI for the latter to provide regular air service. IAI shall charge SSRLI a fixed round trip rate per passenger, subject to an annual review by both parties, with a guarantee that all IAI's operating costs will be covered. The original agreement had a duration of no less than two years and was renewed in February 2006 for another two (2) years.

In line with the above agreement, SSRLI made several advances to IAI, which IAI expects to pay through application against future services to be rendered by IAI to SSRLI. Advances from SSRLI amounted to P82.3 million and P81.2 million as of December 31, 2007 and 2006, respectively.

December 31, 2007 balance was almost the same as end December 2006 amount.

Deferred Revenues

Deferred revenues pertain to cash deposit from U.S. hospitals in IQHPC for the placement of qualified Filipino nurses for a full time employment. This will reverse to realized revenue upon arrival of the nurses in the U.S.

Minimal decrease was registered in 2007 vs. 2006.

Long-term Debt

The decrease in the account can be attributed to payment of debt by the subsidiaries.

Deferred Income Tax (Liability Account)

The decrease in this account pertains to reduction in deferred income tax liability booked by Anscor pertaining to unrealized gain on AFS investments.

Unrealized valuation gains on AFS investments

The Group designated some of its financial assets as available for sale investments in compliance with PAS 32 and 39. Available for sale investments are carried at fair value as of December 31, 2006 with the increase in market values from December 31, 2006 to December 31, 2007 reflected as unrealized valuation gains on AFS investments, a separate component of stockholders' equity. When the assets are sold, the gain is realized or reflected in the consolidated statements of income.

This account balance as of December 31, 2007 is higher compared to December 31, 2006 as a result of appreciation in market value of various local and foreign investments, mainly eTelecare shares.

Cumulative Translation Adjustment

The Group accounted for its investments in foreign-currency denominated stocks as available for sale investments and, accordingly, included in its stockholders' equity the unrealized foreign exchange gain or losses on such investments, both for euro and dollar- denominated investments.

For the period ended December 31, 2007, it's negative due to foreign exchange losses with the appreciation of the Philippine Peso vis-a-vis the US dollar.

This account also includes translation adjustments of Anscor International, Inc. and International Quality Healthcare Professional Connection (IQHPC, LLC).

Cost of Shares Held by a Subsidiary

The increase in the account pertains to net addition of 30,267,000 Anscor's shares purchased by a subsidiary during the year for P127.56 million.

Minority Interest

The earnings reported by a manufacturing subsidiary in 2007, which is not wholly owned by Anscor accounted for the increase in this account balance.

Result of Operations

Management has no knowledge of known trends, events or uncertainties that are reasonably expected to have material impact on the Company's recurring revenues and profits.

The following are the key performance indicators for the Parent Company (In thousand pesos except earnings per share and market price per share):

	December 31		
	2007	2006	2005
<i>Revenues</i>	354,226	6,352,218	318,618
<i>Investment Gains</i>	685,844	523,324	338,506
<i>Net Income</i>	505,697	5,955,244	563,565
<i>Earnings Per Share</i>	0.20	2.38	0.23
<i>Market Price Per Share (PSE)</i>	3.30	2.85	2.08

Other than PDP Energy (which has a separate table on page 19) key performance indicators for the subsidiaries are included in the discussion under Investments portion on pages 2 to 12.

The discussions below were based on the consolidated results of the Company and its subsidiaries.

Year Ended December 31, 2007 Compared with Year Ended December 31, 2006

Revenues

This year's consolidated revenues of P6.02 billion were lower compared to 2006 revenues of P8.10 billion. In 2006, the group realized nonrecurring gains from sale of its investments in ICTSI and SPI shares amounting to P2.93 billion and P0.36 million, respectively.

For 2007, the wire manufacturing subsidiary posted an 18% improvement in sales.

Cost of goods sold/services rendered

Increase in cost of goods sold /services rendered was mainly attributable to higher volume of production of a wire manufacturing subsidiary.

Operating expenses

Total consolidated operating expenses in 2007 went down by 9%.

In view of the substantial income generated by the Company in 2006 for the sale of its investments, the Company declared a special and nonrecurring bonus to its executive officers and directors in the amount of P82.5 million, as approved by the BOD and the Compensation Committee in November 2006.

Foreign exchange loss

Due to appreciation of peso vis-à-vis US dollar (by16%) and euro (by 7%), the peso value of foreign denominated investments of the Group decreased which resulted to foreign exchange loss, excluding foreign exchange loss on foreign denominated stocks which was reflected in the stockholders' equity as cumulative translation adjustment.

Foreign exchange loss reported in 2007 amounted to P371.3 million as against 2006's P142.6 million.

Interest expense

The Group reported lower charges for interest expense resulting from decrease in short-term loan by its manufacturing subsidiary and the lower effective interest rates from 8.5% to 9% in 2006 to 6.5% to 8.9% in 2007.

Valuation allowances

In 2006, the Group fully-provided for its advances in MTI due to the latter's losses in the past years. Also, MTI was not able to follow on its expansion and revenue-generating plans arising from the long-delayed entry of new investors who were expected to infuse funds to expand its capital base.

Other expenses – net of other income

Other expenses in 2007 amounted to P9.4 million, lower than the 22.2 million reported in 2006.

In 2006, Sutton Place Holdings, Inc. recognized an impairment loss of about P37.0 million on the carrying amount of the goodwill. The impairment loss is shown as part of the "Other income (expenses) – net" account in the consolidated statements of income. The Company, through Sutton, assessed that there will

be delays in the recovery of the investment cost in IQMAN due to the recurrence of the U.S. state Department's imposition of a temporary ban on the U.S. immigrant visas for departing nurses from the Philippines and other countries.

Provision for Income Tax

Current provision for income tax this year was slightly lower due to decrease in taxable income of the parent company and its manufacturing subsidiary.

Minority Interest

This account decreased with the higher net loss reported by IQMAN in 2007 of which 32% is owned by shareholders other than Anscor.

Year Ended December 31, 2006 Compared with Year Ended December 31, 2005 (as reported in 2006 SEC 17-A)

Revenues

This year's consolidated revenues and investment gains of P8.1 billion were significantly higher compared to 2005 revenues of P3.8 billion. This year, the Group posted higher gain from sale of investments particularly from sale of all its holdings in ICTSI and SPI. The gain realized from this transaction amounted to P3.3 billion. Also, the Group registered improved sales from its wire manufacturing subsidiary. The Group also recognized gain on increase in market values of FVPL investments as a result of adoption of PAS 32 and 39 in 2005.

Cost of goods sold/services rendered

Increase in cost of goods sold /services rendered was mainly attributable to higher volume of production of a wire manufacturing subsidiary and IQMAN's nurse deployment costs.

Operating expenses

Operating expenses increased as a result of higher selling expenses of a manufacturing subsidiary and IQMAN's administrative costs related to deployment of nurses.

In view of the substantial income generated by the Company in 2006 for the sale of its investments, the Company declared a special and nonrecurring bonus to its executive officers and directors in the amount of P82.5 million, as approved by the BOD and the Compensation Committee in November 2006.

Valuation allowances

In 2006, the Group fully-provided for its advances in MTI due to MTI's losses in the past years and it was not able to follow on its expansion, and revenue-generating plans arising from the long-delayed entry of new investors who shall infuse funds to expands its capital base.

Foreign exchange gain (loss)

Due to continuous appreciation of peso to dollar and euro to peso, the peso value of foreign denominated investments of the Group declined which resulted to foreign exchange losses.

Interest expense

The Group reported higher charges for interest expense resulting from increase in short-term loan obtained by the Group during the year to finance its short-term working capital requirements. Loans obtained by the parent company from local banks were paid in June 2006.

Other Income (expenses)

In 2006, Sutton Place Holdings, Inc. recognized an impairment loss of about P37.0 million on the carrying amount of the goodwill. The impairment loss is shown as part of the "Other income (expenses) – net" account in the consolidated statements of income. The Company, through Sutton, assessed that there will be delays in the recovery of the investment cost in IQMAN due to the recurrence of the U.S. state Department's imposition of a temporary ban on the U.S. immigrant visas for departing nurses from the Philippines and other countries.

In 2005, the Parent Company realized revenues amounting to P35.0 million representing its share on the collection of the nonperforming loans absorbed by Global Business Bank (now merged with Metropolitan Bank and Trust Company), buyer of the Company's investment in AsianBank Group sold in December 1999. The gains are included in "Other income (expense) - net" of the consolidated statements of income. In January 2005, final settlement has been made.

Provision for Income Tax

Current provision for income tax this year increased due to higher taxable income of the parent company and its manufacturing subsidiary. However, this was partially offset by deferred income tax benefits reported by the Group.

Minority Interest

This account increased with the improvement in earnings reported by a manufacturing subsidiary, which is not wholly owned by Anscor offset by the share of minority interest in the loss of IQMAN.

Phelps Dodge Philippines Energy Products Corporation (PDP Energy) – 59% owned subsidiary

The following are the key performance indicators for PDP Energy (In thousand pesos except volume and earnings per share):

	December 31		
	2007	2006	2005
<i>Volume sold (MT)</i>	10,342	10,143	10,253
<i>Sales</i>	4,794,451	4,035,146	2,929,576
<i>Gross Profit</i>	551,623	556,783	399,746
<i>Net Income</i>	253,360	253,206	163,803
<i>Earnings Per Share</i>	54.93	54.89	35.51

Cash Flows

Management has no knowledge of known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

Business Combination

In January 2005, the Group acquired 60% of the voting shares of IQMAN. IQMAN is engaged in the recruitment of nurses for the United States market and is duly licensed by the Philippine Overseas Employment Administration. IQMAN owns 100% of the voting shares of IQHPC, a company based in the United States.

The fair value of the identifiable consolidated assets and liabilities of IQMAN as at the date of acquisition (in thousands) were:

Cash	P	5,316
Receivables		5,266
Property and equipment		10,561
Other noncurrent assets		13,725
Notes payable		(39,072)
Accounts payable		(39,181)
Other liabilities		(18,232)
		<hr/>
		(P 61,617)

The total cost of the investment in IQMAN amounted to P84.0 million (exclusive of the P5.3 million cash acquired). The Company's net positive goodwill in its investment in IQMAN, through Sutton, was P37.0 million as of December 31, 2005 and was shown as part of the "Other noncurrent assets" in the consolidated balance sheets.

In 2006, Sutton recognized an impairment loss of about P37.0 million on the carrying amount of the goodwill. The impairment loss is shown as part of the "Other income (expenses) – net" account in the consolidated statements of income. The Company, through Sutton, assessed that there will be delays in the recovery of the investment cost in IQMAN due to the recurrence of the U.S. state Department's imposition of a temporary ban on the U.S. immigrant visas for departing nurses from the Philippines and other countries.

Events After Balance Sheet Date

- a. On January 19, 2008, the Company, through its subsidiary, Medtivia, entered into a Purchase Agreement for the acquisition of all the outstanding equity interests in Cirrus Holdings USA, LLC and its affiliate, Cirrus Medical Staffing, LLC (Cirrus). Both companies are engaged in the contract and temporary staffing and permanent placement of nurses and allied healthcare professionals in the USA.

The fair value of the identifiable assets and liabilities of Cirrus as at the date of the acquisition are:

Cash	US\$ 83,320
Receivables	2,102,793
Property and equipment	63,169
Other assets	550,653
Accounts payable and accrued expenses	(366,858)
Net assets	<hr/> 2,433,077
Goodwill arising on acquisition	11,516,923
Consideration, satisfied by cash	<hr/> US\$ 13,950,000

The fair value adjustments and goodwill computation are provisionally determined. Adjustments will be made once final amounts have been determined within one year from acquisition date.

- b. On February 21, 2008, IQMAN's BOD approved the utilization of the additional paid in capital of said subsidiary to wipe-out its deficit. Appropriate application for SEC approval will be done subsequently.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following PFRS and amendment to Philippine Accounting Standard (PAS) during the year. Adoption of these revised and new standards did not have any significant effect on the Group except for the additional disclosures on the notes to consolidated financial statements.

- Amendment to PAS 1, *Presentation of Financial Statements*
- PFRS 7, *Financial Instruments: Disclosures*

The principal effects of these changes are as follows:

PFRS 7, Financial Instruments: Disclosures

PFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, as well as sensitivity analysis to market risk. It replaces PAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and the disclosure requirements in PAS 32, *Financial Instruments: Disclosure and Presentation*. It is applicable to all entities that report under PFRS. Adoption of this standard resulted to the inclusion of additional disclosures such as market risk sensitivity analysis, contractual maturity analysis of financial liabilities and aging analysis of financial assets that are neither past due nor impaired, among others (see Note 25).

The Group adopted the amendment to the transition provisions of PFRS 7, as approved by the Financial Reporting Standards Council, which gives transitory relief with respect to the presentation of comparative information for the new risk disclosures about the nature and extent of risks arising from financial instruments. Accordingly, the Group opted not to present comparative information for the disclosures required by paragraphs 31-42 of PFRS 7, unless the disclosure was previously required under PAS 30 or PAS 32.

Amendment to PAS 1, Presentation of Financial Statements

Amendment to PAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. Adoption of this amendment resulted to the inclusion of additional disclosures on capital management.

Other Financial information

- There are no material events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- There are no off-balance sheet transactions, arrangements, obligations including contingent obligations, and other relationships of the Company with unconsolidated entities or other persons created during the year.
- There were no commitments for major capital expenditures in 2006 and onwards.
- The management has no knowledge of known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenue or income from continuing operations.

- There are no seasonality or cyclicity trends in the business that would have material effect on the Company's result of operations and financial condition.
- There is no other change in composition of the registrant, no restructuring, except the business combination mentioned above.
- There is no other material event subsequent to the reporting period that have not been reflected in financial statements.

Financial Statements

1. The financial statements were presented using the classified balance sheet format in accordance with the Philippines Financial Reporting Standards (PFRS).
2. The financial statements were prepared in accordance with the disclosures required by SRC Rules 68 and 68.1, current PFRS/IAS in effect as of January 1, 2005.
3. The consolidated financial statements include disclosures with regards to new accounting standards that the Company and its subsidiaries adopted affective January 1, 2006/2007.



A. SORIANO CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of A. Soriano Corporation is responsible for all information and representations contained in the consolidated balance sheets as of December 31, 2007 and 2006 and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2007. The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external auditors (i) all significant deficiencies, if any, in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses, if any, in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the consolidated financial statements before such statements are approved and submitted to the Stockholders of the Company.

SyCip Gorres Velayo & Co., the independent auditors appointed by the Stockholders, have audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing and have expressed their opinion on the fairness of presentation upon completion of such examination in the report to the Stockholders and the Board of Directors.

ERNEST CUYEGKENG
EXECUTIVE VICE PRESIDENT &
CHIEF FINANCIAL OFFICER

ANDRES SORIANO III
CHAIRMAN &
CHIEF EXECUTIVE OFFICER

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) S.S.

SUBSCRIBED AND SWORN to before me this 26th day of February, 2008 at Makati City, by **ERNEST K. CUYEGKENG** with Passport No. ZZ146585 issued at Manila on June 7, 2005 and valid until June 7, 2010 and **ANDRES SORIANO III** with Passport No. 711786600 issued at U.S.A. on August 11, 2005 and valid until August 10, 2015.

Doc. No. 116
Page No. 24
Book No. V
Series of 2008.

REGINALDO L. HERNANDEZ
NOTARY PUBLIC
UNTIL DEC. 31, 2008
PTR No. 0987362
ISSUED ON JAN. 07, 2008
AT MAKATI CITY
IBP No. 736739
ISSUED AT MAKATI CITY
ON JANUARY 09, 2008
TIN No. 100-364-501



a. soriano corporation

2007 ANNUAL REPORT



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CONCURRENT RESOLUTION OF THE BOARD OF DIRECTORS

The Board of Directors of A. Soriano Corporation by unanimous concurrence, submits herewith the Statement and Annual Report of the Chairman of the Board and President of the Corporation as its own Report to Stockholders for the year ended December 31, 2007.

Financial Highlights

(In Million Pesos Except for Ratios and Per Share Data)

CONSOLIDATED FOR THE YEAR	2007	2006	2005
REVENUES	5,582.3	7,864.9	3,755.7
Sales	4,794.5	4,035.1	2,929.6
Gain on sale of AFS investments	548.3	252.5	240.4
Gain on increase in market values of FVPL investments	171.2	51.8	186.9
Services	149.1	194.3	132.7
Gain on sale of investment properties	102.1	—	—
Interest income - net	94.5	26.6	6.2
Dividend income	68.5	42.1	16.4
Equity in net earnings of associates	34.8	130.6	247.3
Foreign exchange loss - net	(371.3)	(142.6)	(70.6)
Other income (expenses) - net	(9.4)	(15.1)	66.8
Nonrecurring gain on sale of: ICTSI shares (FVPL investments and long-term investments)	—	2,930.3	—
SPI shares (AFS investments)	—	359.3	—
NET INCOME*	619.8	3,043.4	637.3
EARNINGS PER SHARE**	0.40	1.87	0.37

CONSOLIDATED AT YEAR-END	12-31-07	12-31-06	12-31-05
Total Assets	9,685.3	8,656.4	7,602.2
Equity Attributable to Equity Holdings of the Parent	7,499.7	6,677.9	6,049.9
Investment Portfolio	5,419.1	5,355.0	5,180.6
Current Ratio	3.82	4.05	2.46
Debt to Equity Ratio***	0.20	0.20	0.17
Book Value Per Share****	4.85	4.23	3.58

* Attributable to equity holdings of the parent.

** Based on weighted average number of issued and outstanding shares of 1,558.1 million in 2007, 1,624.3 million in 2006 and 1,730.6 million in 2005.

*** Equity excludes minority interests.

**** Based on outstanding shares of 1,547.2 million, 1,577.5 million and 1,689.5 million as of December 31, 2007, 2006 and 2005, respectively.

The Economy in 2007

The Philippine economy had a banner year, as the Gross Domestic Product expanded by 7.3%, its best performance in over three decades.

Gains were broad-based: Services continued to lead the way with sterling performances in IT-enabled BPO service exports, finance, trade, real estate, and transportation and communication; agriculture withstood the impact of the first semester's dry spell; mining made a tremendous surge. Record-high remittances from Overseas Filipino Workers helped make the peso Asia's star performer.

The country's upgraded credit outlook acknowledges the government's headway in budget deficit reduction, eased dependence on external financing, and ability to prepay debt and free up resources for infrastructure spending. The Philippines has recorded 28 consecutive quarters of growth.

2007 Financial Performance

Anscor's consolidated recurring net income in 2007 amounted to ₱578.8 million, a 77% improvement from the previous year's recurring profit of ₱327.9 million. Although the Company's 2007 audited figure reflects a ₱619.8 million net income vis-a-vis last year's ₱3.04 billion, the latter figure includes the one-time gain from the divestment of shares in International Container Terminal Services, Inc. and SPI Technologies, Inc. and pertinent provisions for valuation allowances.

A recurring situation that you will note is the effect that the peso's 16% rise in value vis-a-vis the US dollar has had on operating results of our investments and subsidiaries.

The parent company's portfolio of financial assets realized trading gains from the sale of marketable equity securities and bonds and equity funds, which were partially offset by foreign exchange losses as the peso continued its climb throughout the year. Interest income from the financial portfolio amounted to ₱134.0 million, a gain of 51%. The parent company's financial assets contributed income of ₱519.8 million, against ₱408.0 million in 2006. The consolidated balance sheet indicates a debt to equity ratio of 0.20 and a current ratio of 3.82.

Group Operations Report

Phelps Dodge Philippines Energy Products Corporation

New products and services, strong copper prices and an outstanding efficiency and safety record pushed Phelps Dodge Philippines Energy Products Corporation's (PDP Energy) revenues to ₱4.8 billion an improvement of 18.8% while net profit reached ₱253.4 million, a slight increase over the previous year.

With technical assistance from Phelps Dodge International, PDP Energy introduced aluminum building wire to the local market and has secured orders for delivery in 2008. Cable Tray Rated THHN Building Wire, Flat Anti-Theft Cable, and Low Smoke Halogen Free Cable, all launched earlier, continued to win customer acceptance. The company's safety record topped 1.8 million man-hours without recordable incidents, and the lean manufacturing system continued to reduce set-up time and boost the daily production output rate.

Additional facilities will be installed in 2008 to manufacture Dry-cured Medium Voltage Power Cable. The bulk of the new production line's output will be exported through PDP Energy's affiliates worldwide, and a new PEZA-registered company has been formed for this purpose.

PDP Energy is now affiliated with the General Cable Corporation, which purchased in October 2007 the Phelps Dodge wire business from its parent firm, Freeport McMoran Copper and Gold, Inc. The combined electric wire business of General Cable and Phelps Dodge is now the second largest in the world. This new affiliation augurs well for PDP Energy, as it offers access to new products, export markets and management and technical expertise.

Seven Seas Resorts and Leisure, Inc.

With occupancy at Amanpulo rising to 57.3% in 2007, compared to 51.6% in 2006, and average room rate higher at US\$677 from US\$659, total revenues climbed 5% to ₱437.9 million.

However, as room rates and fees for use of other facilities are quoted in US dollars, the rapid appreciation of the Philippine peso affected net operating profit, which rose only 2.2% to ₱159 million. Net income of ₱75.6 million, as against the previous year's ₱52.7 million, was contributed mainly by the gain in foreign exchange translation on the company's dollar-denominated loan. In the first quarter of 2007, Seven Seas redeemed preferred shares of about ₱40 million out of cash from resort operations in 2006.

The Phase II Villa development project will be completed by mid-2008. As we reported last year, the seven villas were fully sold early on, producing substantial cash for capital expenditure. The villas, which upon turnover will be managed and operated by Seven Seas, translate to 28 additional rooms which will increase the Resort's revenue potential and improve sharing of costs of power generation, water supply and other support facilities. Other infrastructure projects during the year include a center for water sports activities, a shop for dive operations, a second Beach Club, and an upgrade of spa facilities.

Amanpulo reclaimed its top of *Gallivanter's Guide* ratings as "Best Small Hotel/Resort Under 100 Rooms" and "Best Resort in Southeast Asia" for 2007. The publication ranked Amanpulo No. 2 and No. 3 in these categories the year before.

KSA Realty Corporation

Total occupancy at KSA's The Enterprise Center stayed at 99% as the Makati Central Business District added no new office space. Total rent revenues rose to ₱622.8 million and net income to ₱458.1 million, representing increases of 18% and 73%, respectively, due to the gain in fair value of investment property of ₱221 million and higher average lease rates.

A total of ₱200 million in cash dividends were declared and paid, of which ₱22.8 million accrued to Anscor.

eTelecare Global Solutions, Inc.

It was reported last year that eTelecare would need an infusion of new capital to pursue growth and acquisition opportunities as it moves up the value chain of service offerings and expands its client base. On March 28, 2007, the company completed its initial public offering in the U.S., with 11 million common shares in the form of 5.5 million American Depositary Shares listed in the NASDAQ Global Market, representing 20% of the company. The common shares were also introduced in the Philippine Stock Exchange on November 20, 2007, and are now traded under the symbol "ETEL."

Revenues increased to US\$259.9 million, a 33% gain over 2006, while net income rose 88.5% to US\$23.0 million. The continuing demand for offshore services in the Philippines contributed to record fourth quarter results and the strongest top-line performance in the firm's history.

In September 2007, eTelecare acquired all the outstanding stock of AOL Member Services Philippines, Inc. (AOL Philippines), a wholly-owned subsidiary of AOL, a division of Time Warner, Inc. AOL Philippines operates a 7,200-seat customer care and technical support delivery center near Manila. The acquisition allows eTelecare to expand servicing of e-mail, chat and other non-voice needs of existing and potential clients. The company also recently announced establishment of a unit in the United Kingdom to comply with contractual requirements of Virgin Media, a new UK-based client offering television, internet, mobile phone and fixed line phone services. Another notable investment in site expansion is the Annex@Shaw facility, with a capacity of 1,000 seats, which are expected to operate at full capacity by the fourth quarter of 2008.

eTelecare has once again won the Marketing Via Phone (MVP) Quality Award (integrated inbound and outbound business-to-consumer category) of Customer Inter@ction Solutions magazine. The company has earned more than 65 global awards since 2000.

Multi-Media Telephony, Inc.

While awaiting approval of pending applications with the National Telecommunications Commission for service area and service offering expansion, Multi-Media Telephony, Inc. (MTI) has completed a restructuring program that reduces operating costs by focusing on core technical competencies and outsourcing the customer service, billing and collection, information technology and related functions.

The company continues to provide traditional voice services through its CDMA 1x network and mobile broadband services through EVDO, as the broadband data market is expected to continue to grow rapidly.

In a landscape currently dominated by telco giants, MTI's immediate objective is the forging of a strategic partnership that recognizes its core competencies while addressing those aspects of operations that need augmentation.

MTI has tied up with a telecommunication company for the expansion of the latter's fixed wireless telephone subscriber base. This venture has achieved the expected results since its introduction in July 2007.

International Quality Manpower Services, Inc.

The temporary ban on issuance of immigration visas which the U.S. State Department re-imposed in late 2006 has not been lifted despite the American Hospital Association's efforts to resolve the issue. Consequently, International Quality Manpower Services, Inc. (IQMAN) reported minimal deployment of nurses and physical therapists in 2007, representing 12% of positions contracted at the start of the year, and a 77% drop from deployments made in 2006. With substantial reduction in revenues, the company incurred losses in 2007 and the carryover of losses is expected in 2008. This scenario has affected the entire nurse recruitment business catering to the U.S. market and around the world.

With the growing demand for healthcare services in the US, IQMAN, with the lobbying efforts of the American Hospital Association to lift the ban, is certain the issue will be resolved. IQMAN albeit on a lower scale continues to engage in hospital contract discussions and focuses on nurse recruitment and assimilation activities in its four branches in key Philippine cities. The conduct in Manila of the National Council Licensure Examination (NCLEX) for the first time last year is further reason for optimism over the long-term prospects of healthcare recruitment and placement as this reduces the company's operating cost.

New Investments

To tap the long-term potential of the healthcare industry and to provide a platform to place Philippine nurses directly, Anscor in January 2008, through its U.S.-based subsidiary Medtivia, Inc., entered into a Purchase Agreement to acquire the outstanding equity interests in Cirrus Holdings USA, LLC and its affiliate Cirrus Medical Staffing, LLC, collectively known as Cirrus. The purchase price of US\$14 million will be funded by internally generated cash.

The first North Carolina-based healthcare staffing company to earn the coveted Joint Commission on Accreditation of Healthcare Organizations (JCAHO) certification, Cirrus recruits and places nurses and allied professionals in some 150 acute care hospitals and healthcare facilities all over the U.S. Some 91% of its business is in the travel nursing segment, which places nurses for periods of three months or longer (versus per diem nursing, where nurses fill in one to three shifts). Temporary healthcare staffing services allow Cirrus' clients to manage short- and long-term staff shortages cost-effectively, without having to assume the burdens associated with recruitment and fixed overheads.

Your Company made two smaller investments in 2007. In May, Anscor International, Inc. purchased 10% of the shares of Direct With Hotels, Inc. for US\$500,000. Direct With Hotels is engaged in online reservations for hotels, and specializes in launching, marketing and maximizing the performance of partner hotels' websites. Its target market is small and medium-sized chains and independent hotels in Asia Pacific, Africa, North America and Latin America.

Last December, Anscor signed a Subscription Agreement to acquire 6,665 shares – equivalent to 20% – of Prople, Inc. for US\$800,000. Prople derives its name from its key strengths – PROcess and peoPLE – mobilized for growth opportunities in business process outsourcing, knowledge process outsourcing and content services. Three business lines offer its target markets a complete suite of outsourcing solutions of ascending complexity: Prople-bpo, specializing in finance and accounting, human resources administration, and transaction and payroll processing; Prople-kpo, offering industry and market analysis, research, valuation and other services requiring more customized technical and analytical skills; and Prople-contents, which will center on multi-media deployment of content, rich media conversion, assembly and editing, and brand, marketing and communication planning.

Investment Strategy

The three investments earlier mentioned exemplify our strategic intent, articulated in past Annual Reports, to expand into endeavors that possess exciting long-term growth and profit potential, while enabling Filipinos to excel in careers in the global economy.

Worldwide interest in travel and tourism is rising, and Anscor, through its affiliate Seven Seas, is particularly keen on attracting that segment of the market that seeks the finest in comfort, amenities and discretion.

Demographics will drive growth in the healthcare industry. The U.S. population is projected to increase by 18% between the years 2000 and 2020, the proportion of people over 65 years of age will climb to 17% of the total, and hospital use is significantly higher in this age group. The prospects for this field are very positive and your Company's investment in IQMAN and Cirrus will provide a strong base for participation in this exciting space.

Finally, what used to be a merely cost-conscious tactic of moving non-core jobs offshore to take advantage of cheap labor is now a deliberate thrust to derive quality, speed, innovation and superior value from the best-educated and IT-literate workers in developing economies. Few companies now hope to be globally competitive without the elements of outsourcing, offshoring, and creative networking in their overall business strategy.

In all three areas of endeavor – in tourism, healthcare, and business and knowledge process outsourcing – Filipino talent, and Anscor, can make a difference. However, a disparity between what the educational system currently delivers, and what employers actually need, limits the extent to which these growth areas can be aggressively pursued. Closer coordination between industry and the academe, in education and on-the-job student training, can help address this imbalance.

In this regard, preparatory work is being undertaken by a third party to combine approaches and ideas of the dual educational (dual-tech) and cooperative education (coop) systems. Dual-tech, which originated in Europe, integrates within one course apprenticeship in a company with vocational education at school. On the other hand, coop integrates classroom learning through work experience in a field related to a student's academic or career goals. A combination of best practices may better equip graduates for both immediate employment and long-term employability.

Corporate Social Responsibility

The Andres Soriano Foundation's cancer treatment and education programs included these highlights for 2007:

- Establishment of a chemotherapy fund, replenished annually, to assist indigent patients at the Andres Soriano, Jr. Cancer Center/Cancer Institute at UP-PGH in the procurement of drugs;
- Hosting of the 20th Andres Soriano, Jr. Annual Memorial Lecture on cancer awareness in General Santos, South Cotabato; and the 21st Andres Soriano, Jr. Annual Memorial International Lecture on cancer pain diagnosis at the 7th Asia Pacific Hospice Conference;
- Sponsorship of a 2-part modular training program on nursing care and chemotherapy for oncology nurses, in partnership with the Philippine Oncology Nurses Association; and
- Continued funding support for Cancer Registries in Bacolod and Davao Cities, to generate updated data on cancer cases in Visayas and Mindanao.

The Foundation's small islands development programs in Northeastern Palawan featured the following activities:

- A four-day medical and drug distribution mission serving three barangays in the Quiniluban Island group;
- Increased enrollment in seven Quiniluban Education and Training (QUIET) Centers for PreSchool Children;

• A book drive for the Andres Soriano Memorial Elementary School in Roxas, Palawan, in partnership with the Office of the Vice Governor and the Department of Education district office;

• Loan assistance under the Integrated Small Livelihood Assistance project, for 256 beneficiaries, as against 120 in 2006;

• Establishment of seven Marine Protected Areas in the Quiniluban Group, up from last year's five; and

• Construction of a Multi-Purpose Center in Barangay Rizal, Magsaysay Municipality, funded by SEACOLOGY, a U.S.-based marine conservation organization. In turn, the barangay has pledged a 20-year protection program for its 100-hectare mangrove forest park.

SEACOLOGY will also release a US\$26,000 grant in early 2008 for a solar power supply system that will provide clean, renewable electricity to school facilities, a training center, a health center and barangay hall of Barangay Manamoc. In exchange, the barangay commits to maintain its 109-hectare marine protected area for 20 years.

The Philippine Council for NGO Certification has renewed the Foundation's Donee Institution status for another five years, a certification of good governance which allows donors to claim tax deductions in accordance with pertinent regulations of the Bureau of Internal Revenue.

Outlook

Notwithstanding last year's outstanding performance, the outlook for the Philippine economy in 2008 is decidedly mixed. The mood has changed, as turmoil from the subprime mortgage crisis in the U.S. has led to tighter credit, curtailed consumption, and reduced demand that may spill over into the developing economies. The equity markets continue to reflect the uncertain sentiment and remain volatile.

The economic stimulus package under way in the U.S. raises hopes that the downturn will be short and shallow, and strong domestic demand and intra-regional trade within Asia may partly offset a fall in exports. Nonetheless, the Philippines does face a harsher environment, as export growth will be sensitive to lower demand in the largest economies, and as the decline in purchasing power of overseas remittances dampens home-building activity. An influx of investments in mining and energy, and state spending on infrastructure, should provide counter-cyclical force in the face of an export slowdown. As the government cannot rely indefinitely on asset sales for capital spending, continued fiscal consolidation and stronger revenue efforts will be needed to finance the requirements of economic growth.

Acknowledgment

Once again, on behalf of your Board of Directors, we close with heartfelt thanks for our shareholders' enduring support, and for our employees' diligence and dedication. Your Board likewise bids godspeed to Mr. Enrique K. Razon, Jr., who resigned as Director on June 18, 2007, and welcomes back Mr. Jose C. Ibazeta, who was elected in place of Mr. Razon.



ANDRES SORIANO III

Chairman of the Board/Chief Executive Officer/
President

Group's Key Financial Data

Phelps Dodge Philippines Energy Products Corporation

(In Million Pesos)	2007	2006
Revenues	4,794.5	4,035.1
Net Income	253.4	253.2
Total Assets	2,378.9	2,159.1
Stockholders' Equity	1,487.7	1,234.3

Seven Seas Resorts and Leisure, Inc.

(In Million Pesos)	2007	2006
Revenues	437.9	417.2
Net Income	75.6	52.7
Total Assets	1,347.0	574.4
Stockholders' Equity	406.9	371.4

Other Affiliates (Revenues)

(In Millions)	2007	2006
<i>In Dollars</i>		
eTelecare Global Solutions, Inc.	\$ 259.9	\$ 195.1
<i>In Pesos</i>		
KSA Realty Corporation	₱ 622.8	₱ 527.3
Island Aviation, Inc.	103.4	97.3
Multi-Media Telephony, Inc.	52.1	71.3
International Quality Manpower Services, Inc. and Subsidiary	30.4	145.5

Note 1 Available figures as of February 26, 2008.

CONSOLIDATED FINANCIAL INFORMATION

(In Millions Except Per Share Data)

YEAR	NET INCOME	EQUITY ATTRIBUTABLE TO EQUITY HOLDINGS OF THE PARENT	WEIGHTED AVERAGE NUMBER OF SHARES *OUTSTANDING	EARNINGS PER **SHARE	BOOK VALUE PER ***SHARE
2007	619.8	7,499.7	1,558.1	0.40	4.85
2006 (Note 1)	3,043.4	6,677.9	1,624.3	1.87	4.23
2005	637.3	6,049.9	1,730.6	0.37	3.58
2004	488.9	5,454.4	1,792.8	0.27	3.06
2003	392.7	5,090.5	1,813.6	0.22	2.82

YEAR	GROSS REVENUES ****	TOTAL ASSETS	INVESTMENT PORTFOLIO
2007	5,582.3	9,685.3	5,419.1
2006 (Note 1)	7,864.9	8,656.4	5,355.0
2005	3,755.7	7,602.2	5,180.6
2004	2,761.1	6,625.4	4,598.1
2003	1,798.1	6,049.1	4,551.5

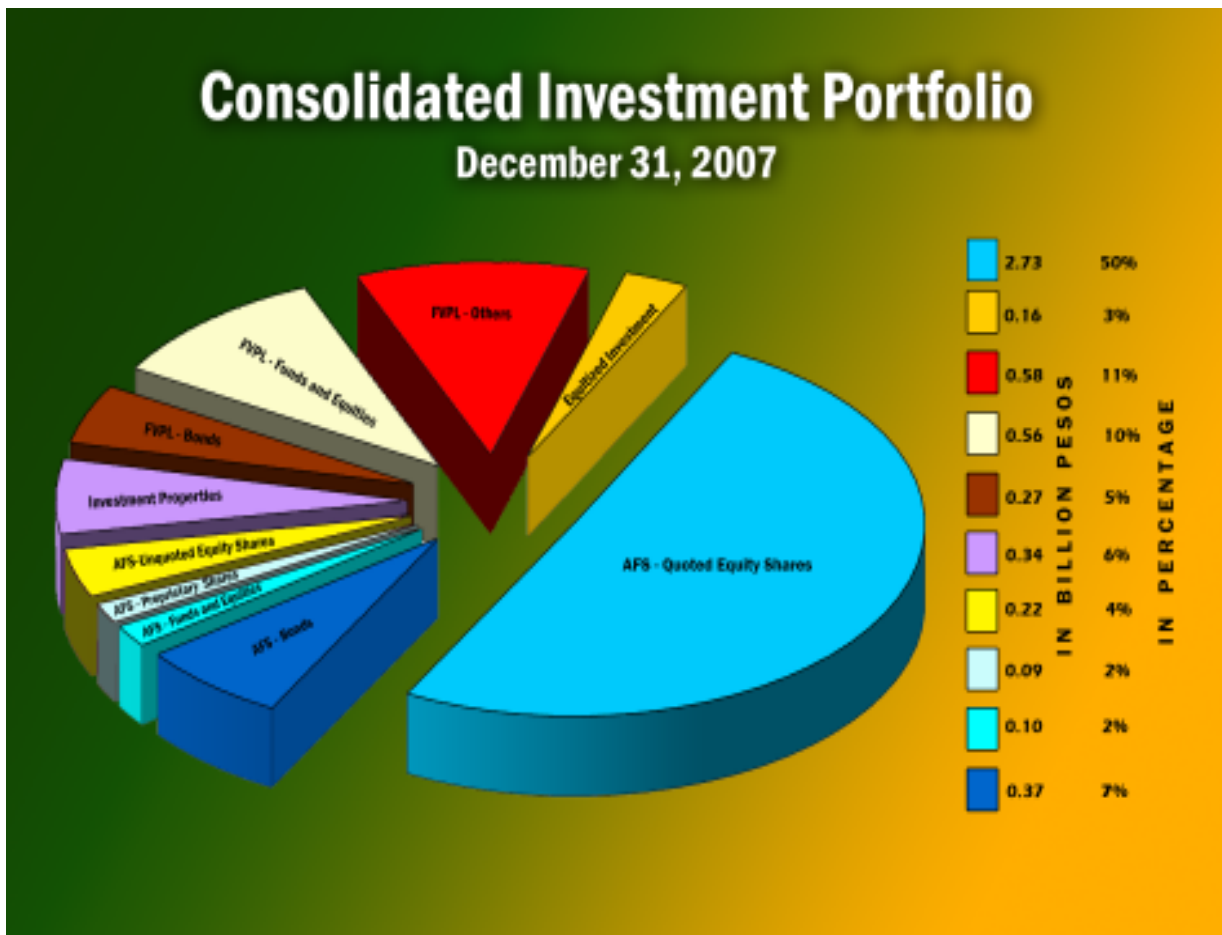
Note 1 Included the one-time gain on sale of ICTSI and SPI shares of P2,930.3 million and P359.3 million, respectively.

* With retroactive application of stock dividends and net of treasury shares.

** Ratio of net income to weighted average number of shares outstanding during the year.

*** Ratio of equity attributable to equity holdings of the parent to outstanding number of shares as of end-December.

**** Inclusive of other income (see page 1-Financial Highlights).



Audited Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT



The Stockholders and the Board of Directors A. Soriano Corporation

We have audited the accompanying consolidated financial statements of A. Soriano Corporation and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2007 and 2006, and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2007, and a summary of significant accounting policies and other explanatory notes. We did not audit the 2007 and 2006 financial statements of Island Aviation, Inc., A. Soriano Air Corporation, Anscor Property Holdings, Inc., Anscor Insurance Brokers, Inc., Toledo Mining and Industrial Corporation, ASC Mining and Industrial Corporation, International Quality Manpower Services, Inc. and International Quality Healthcare Professional Connection LLC, consolidated subsidiaries which total assets and liabilities accounted for 3.62% and 19.42% and 4.03% and 23.39%, respectively, of the consolidated assets and liabilities as of December 31, 2007 and 2006, while total revenues of these subsidiaries accounted for 3.67% and 2.19% of the consolidated revenues in 2007 and 2006, respectively. We also did not audit the 2007 and 2006 financial statements of Seven Seas Resorts and Leisure, Inc. and Vesper Industrial and Development Corporation, the investments in which are carried in the consolidated financial statements using the equity method of accounting. The equity in net income of these associates amounted to ₱34.8 million and ₱24.2 million in 2007 and 2006, respectively, while the aggregate carrying amount of the related investments amounted to ₱162.0 million and ₱146.0 million as of December 31, 2007 and 2006. Those financial statements were audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for these subsidiaries and associates, are based solely on the reports of the other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits and the reports of the other auditors. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained and the reports of the other auditors are sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of the other auditors, the financial statements present fairly, in all material respects, the financial position of A. Soriano Corporation and Subsidiaries as of December 31, 2007 and 2006, and its financial performance and its cash flows for each of the three years ended December 31, 2007 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Wilson P. Tan
Partner
CPA Certificate No. 76737
SEC Accreditation No. 0100-AR-1
Tax Identification No. 102-098-469
PTR No. 0017630, January 3, 2008, Makati City

February 26, 2008

CONSOLIDATED BALANCE SHEETS

	December 31	
	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱ 1,740,440,638	₱ 849,935,241
Fair value through profit or loss (FVPL) investments (Note 6)	1,407,344,721	1,884,980,449
Receivables (Note 7)	1,115,865,986	1,027,051,437
Inventories (Note 8)	659,136,603	752,679,568
Prepayments and other current assets (net of allowance of ₱21.7 million in 2007 and 2006)	47,420,228	31,130,220
Total Current Assets	4,970,208,176	4,545,776,915
Noncurrent Assets		
Investments and advances (Note 9)	185,631,838	168,773,486
Available-for-sale (AFS) investments (Note 10)	3,504,912,931	2,981,648,756
Property, plant and equipment - net (Note 11)	552,680,676	575,338,927
Investment properties - net (Note 12)	344,902,816	342,370,955
Deferred income tax (Note 22)	79,579,206	25,149,816
Other noncurrent assets - net (Notes 13 and 21)	47,412,324	17,341,858
Total Noncurrent Assets	4,715,119,791	4,110,623,798
TOTAL ASSETS	₱ 9,685,327,967	₱ 8,656,400,713
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Note 14)	₱ 685,407,246	₱ 545,645,529
Current portion of long-term debt (Note 16)	3,891,694	9,217,640
Accounts payable and accrued expenses (Note 15)	423,843,338	386,377,706
Dividends payable (Note 17)	112,322,722	94,448,277
Income tax payable	78,786,018	87,701,372
Total Current Liabilities	1,304,251,018	1,123,390,524
Noncurrent Liabilities		
Advances from customer (Note 27)	81,278,710	81,236,344
Deferred revenues (Note 2)	75,380,871	76,312,744
Long-term debt - net of current portion (Note 16)	41,280,000	53,740,820
Deferred income tax (Note 22)	1,702,773	11,851,899
Other noncurrent liabilities	-	2,517,939
Total Noncurrent Liabilities	199,642,354	225,659,746
Equity attributable to equity holdings of the parent (Note 17)		
Capital stock - ₱1 par value	2,500,000,000	2,500,000,000
Additional paid-in capital	1,574,103,911	1,550,733,242
Unrealized valuation gains on AFS investments (Note 10)	1,094,621,388	589,411,964
Cumulative translation adjustment (Notes 10 and 22)	(113,522,951)	(71,182,418)
Retained earnings	3,647,565,824	3,184,437,521
	8,702,768,172	7,753,400,309
Less cost of shares held by a subsidiary (952,778,189 shares in 2007 and 922,511,189 shares in 2006)	1,203,059,877	1,075,498,679
	7,499,708,295	6,677,901,630
Minority Interests	681,726,300	629,448,813
Total Equity	8,181,434,595	7,307,350,443
TOTAL LIABILITIES AND EQUITY	₱ 9,685,327,967	₱ 8,656,400,713

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2007	2006	2005
REVENUES			
Sales	₱ 4,794,451,084	₱ 4,035,146,219	₱ 2,929,576,248
Services (Note 27)	149,131,728	194,347,715	132,669,873
Interest income (Note 20)	151,975,839	101,447,024	48,703,698
Dividend income	68,473,701	42,071,271	16,357,336
Equity in net earnings of associates (Note 9)	34,755,797	130,629,115	247,289,075
Others	—	7,122,849	—
	5,198,788,149	4,510,764,193	3,374,596,230
INVESTMENT GAINS			
Gain on sale of AFS investments (Note 10)	548,326,989	611,750,450	240,356,511
Gain on increase in market values of FVPL investments (Note 6)	171,212,057	197,738,222	186,856,647
Gain on sale of investment properties (Note 12)	102,057,935	—	—
Gain on sale of International Container Terminal Services, Inc. (ICTSI) shares (Note 9)	—	2,784,366,978	—
	821,596,981	3,593,855,650	427,213,158
	6,020,385,130	8,104,619,843	3,801,809,388
Cost of goods sold / services rendered (Note 18)	(4,314,332,408)	(3,582,424,961)	(2,629,565,438)
Operating expenses (Note 18)	(440,056,935)	(482,984,184)	(313,717,128)
Foreign exchange loss - net	(371,348,537)	(142,610,255)	(70,556,589)
Interest expense (Note 20)	(57,456,391)	(74,869,058)	(42,513,913)
Valuation allowances - net of recoveries (Note 20)	(9,814,709)	(544,167,448)	(64,435,768)
Other income (expenses) - net (Notes 9, 11, 13 and 27)	(9,386,615)	(22,226,228)	66,797,336
	(5,202,395,595)	(4,849,282,134)	(3,053,991,500)
INCOME BEFORE INCOME TAX	817,989,535	3,255,337,709	747,817,888
PROVISION FOR INCOME TAX (Note 22)	122,319,624	125,895,225	70,810,224
NET INCOME	₱ 695,669,911	₱ 3,129,442,484	₱ 677,007,664
Attributable to:			
Equity holdings of the parent	₱ 619,781,984	₱ 3,043,413,595	₱ 637,321,888
Minority interests	75,887,927	86,028,889	39,685,776
	₱ 695,669,911	₱ 3,129,442,484	₱ 677,007,664
Earnings per share - basic / diluted, for net income attributable to equity holdings of the parent (Notes 17 and 23)	₱ 0.40	₱ 1.87	₱ 0.37

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2007, 2006 and 2005

Equity Attributable to Equity Holdings of the Parent (Note 17)

	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on AFS Investments (Note 10)	Cumulative Translation Adjustment (CTA) (Notes 10 and 22)	Retained Earnings
Balances at January 1, 2005	P 2,500,000,000	P 1,550,733,242	P 146,453,675	P 23,157,528	P 2,172,192,398
Valuation gains / foreign exchange losses taken to equity	-	-	250,919,682	(35,096,160)	-
Share in unrealized valuation gains on AFS investments of an associate	-	-	8,393,386	-	-
Share in movement of the CTA of an associate	-	-	-	(47,891,687)	-
Valuation gains / foreign exchange losses taken to the consolidated statements of income on sale of AFS investments	-	-	(240,356,511)	2,655,002	-
Income (expense) recognized directly in equity	-	-	18,956,557	(80,332,845)	-
Net income for the year	-	-	-	-	637,321,888
Total recognized income (expense) for the year	-	-	18,956,557	(80,332,845)	637,321,888
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P61.6 million (Note 17)	-	-	-	-	(138,400,898)
Shares repurchased during the year	-	-	-	-	-
Movement in minority interest	-	-	-	-	-
Balances at December 31, 2005	P 2,500,000,000	P 1,550,733,242	P 165,410,232	(P 57,175,317)	P 2,671,113,388

Equity Attributable to Equity Holdings of the Parent (Note 17)

	Subtotal*	Cost of Shares Held by a Subsidiary	Total	Minority Interests	Total
Balances at January 1, 2005	P 6,392,536,843	(P 597,451,112)	P 5,795,085,731	P 466,340,080	P 6,261,425,811
Valuation gains / foreign exchange losses taken to equity	215,823,522	-	215,823,522	-	215,823,522
Share in unrealized valuation gains on AFS investments of an associate	8,393,386	-	8,393,386	-	8,393,386
Share in movement of the CTA of an associate	(47,891,687)	-	(47,891,687)	-	(47,891,687)
Valuation gains / foreign exchange losses taken to the consolidated statements of income on sale of AFS investments	(237,701,509)	-	(237,701,509)	-	(237,701,509)
Income (expense) recognized directly in equity	(61,376,288)	-	(61,376,288)	-	(61,376,288)
Net income for the year	637,321,888	-	637,321,888	39,685,776	677,007,664
Total recognized income (expense) for the year	575,945,600	-	575,945,600	39,685,776	615,631,376
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P61.6 million (Note 17)	(138,400,898)	-	(138,400,898)	-	(138,400,898)
Shares repurchased during the year	-	(182,715,640)	(182,715,640)	-	(182,715,640)
Movement in minority interest	-	-	-	36,050,870	36,050,870
Balances at December 31, 2005	P 6,830,081,545	P (780,166,752)	P 6,049,914,793	P 542,076,726	P 6,591,991,519

* Sum of the Equity details in the first table.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2007, 2006 and 2005

Equity Attributable to Equity Holdings of the Parent (Note 17)

	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on AFS Investments (Note 10)	Cumulative Translation Adjustment (CTA) (Notes 10 and 22)	Retained Earnings
Balances at December 31, 2005	P 2,500,000,000	P 1,550,733,242	P 165,410,232	P (57,175,317)	P 2,671,113,388
Valuation gains / foreign exchange losses taken to equity	-	-	585,398,826	(59,818,872)	-
Share in unrealized valuation gains on AFS investments of an associate sold during the year	-	-	(8,393,386)	-	-
Share in movement of the CTA of an associate sold during the year	-	-	-	49,056,805	-
Valuation gains / foreign exchange gains taken to the consolidated statements of income on sale of AFS investments	-	-	(153,003,708)	(3,245,034)	-
Income (expense) recognized directly in equity	-	-	424,001,732	(14,007,101)	-
Net income for the year	-	-	-	-	3,043,413,595
Total recognized income (expense) for the year	-	-	424,001,732	(14,007,101)	3,043,413,595
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P1,419.9 million (Note 17)	-	-	-	-	(2,530,089,462)
Shares repurchased during the year	-	-	-	-	-
Movement in minority interest	-	-	-	-	-
Balances at December 31, 2006	P 2,500,000,000	P 1,550,733,242	P 589,411,964	P 71,182,418	P 3,184,437,521

Equity Attributable to Equity Holdings of the Parent (Note 17)

	Subtotal*	Cost of Shares Held by a Subsidiary	Total	Minority Interests	Total
Balances at December 31, 2005	P 6,830,081,545	(P 780,166,752)	P 6,049,914,793	P 542,076,726	P 6,591,991,519
Valuation gains / foreign exchange losses taken to equity	525,579,954	-	525,579,954	-	525,579,954
Share in unrealized valuation gains on AFS investments of an associate sold during the year	(8,393,386)	-	(8,393,386)	-	(8,393,386)
Share in movement of the CTA of an associate sold during the year	49,056,805	-	49,056,805	-	49,056,805
Valuation gains / foreign exchange gains taken to the consolidated statements of income on sale of AFS investments	(156,248,742)	-	(156,248,742)	-	(156,248,742)
Income (expense) recognized directly in equity	409,994,631	-	409,994,631	-	409,994,631
Net income for the year	3,043,413,595	-	3,043,413,595	86,028,889	3,129,442,484
Total recognized income (expense) for the year	3,453,408,226	-	3,453,408,226	86,028,889	3,539,437,115
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P1,419.9 million (Note 17)	(2,530,809,462)	-	(2,530,089,462)	-	(2,530,089,462)
Shares repurchased during the year	-	(295,331,927)	(295,331,927)	-	(295,331,927)
Movement in minority interest	-	-	-	1,343,198	1,343,198
Balances at December 31, 2006	P 7,753,400,309	(P 1,075,498,679)	P 6,677,901,630	P 629,448,813	P 7,307,350,443

* Sum of the Equity details in the first table.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2007, 2006 and 2005

Equity Attributable to Equity Holdings of the Parent (Note 17)

	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on AFS Investments (Note 10)	Cumulative Translation Adjustment (CTA) (Notes 10 and 22)	Retained Earnings
Balances at December 31, 2006	P 2,500,000,000	P 1,550,733,242	P 589,411,964	(P 71,182,418)	P 3,184,437,521
Valuation gains / foreign exchange losses taken to equity	-	-	1,067,445,353	(50,912,348)	-
Valuation gains / foreign exchange losses taken to the consolidated statements of income on sale of AFS investments	-	-	(562,235,929)	8,571,815	-
Income (expense) recognized directly in equity	-	-	505,209,424	(42,340,533)	-
Net income for the year	-	-	-	-	619,781,984
Total recognized income (expense) for the year	-	-	505,209,424	(42,340,533)	619,781,984
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P93.3 million (Note 17)	-	-	-	-	(156,653,681)
Shares repurchased during the year	-	-	-	-	-
Shares sold during the year (Note 17)	-	23,370,669	-	-	-
Movement in minority interest	-	-	-	-	-
Balances at December 31, 2007	P 2,500,000,000	P 1,574,103,911	P 1,094,621,388	(P 113,522,951)	P 3,647,565,824

Equity Attributable to Equity Holdings of the Parent (Note 17)

	Subtotal*	Cost of Shares Held by a Subsidiary	Total	Minority Interests	Total
Balances at December 31, 2006	P 7,753,400,309	(P 1,075,498,679)	P 6,677,901,630	P 629,448,813	P 7,307,350,443
Valuation gains / foreign exchange losses taken to equity	1,016,533,005	-	1,016,533,005	-	1,016,533,005
Valuation gains / foreign exchange losses taken to the consolidated statements of income on sale of AFS investments	(553,664,114)	-	(553,664,114)	-	(553,664,114)
Income (expense) recognized directly in equity	462,868,891	-	462,868,891	-	462,868,891
Net income for the year	619,781,984	-	619,781,984	75,887,927	695,669,911
Total recognized income (expense) for the year	1,082,650,875	-	1,082,650,875	75,887,927	1,158,538,802
Cash dividends - net of dividends on common shares held by a subsidiary amounting to P93.3 million (Note 17)	(156,653,681)	-	(156,653,681)	-	(156,653,681)
Shares repurchased during the year	-	(141,156,174)	(141,156,174)	-	(141,156,174)
Shares sold during the year	23,370,669	13,594,976	36,965,645	-	36,965,645
Movement in minority interest	-	-	-	(23,610,440)	(23,610,440)
Balances at December 31, 2007	P 8,702,768,172	(P 1,203,059,877)	P 7,499,708,295	P 681,726,300	P 8,181,434,595

See accompanying Notes to Consolidated Financial Statements.

* Sum of the Equity details in the first table.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱ 817,989,535	₱ 3,255,337,709	₱ 747,817,888
Adjustments for:			
Net unrealized foreign exchange loss	371,348,537	96,732,287	61,471,955
Depreciation and amortization (Notes 11 and 12)	97,482,882	90,077,109	79,941,784
Interest expense (Note 20)	57,456,391	74,869,058	42,513,913
Valuation allowances - net of recoveries (Note 20)	9,814,709	544,167,448	64,435,768
Loss on write-off of property, plant and equipment (Note 11)	637,137	—	—
Gain on sale of AFS investments (Note 10)	(548,326,989)	(611,750,450)	(240,356,511)
Gain on increase in market values of FVPL investments (Note 6)	(171,212,057)	(197,738,222)	(186,856,647)
Interest income (Note 20)	(151,975,839)	(101,447,024)	(48,703,698)
Gain on sale of investment properties (Note 12)	(102,057,935)	—	—
Dividend income	(68,473,701)	(42,071,271)	(16,357,336)
Equity in net earnings of associates (Note 9)	(34,755,797)	(130,629,115)	(247,289,075)
Gain on sale of property, plant and equipment (Note 11)	(200,339)	(1,608)	(22,751,920)
Impairment of goodwill (Note 13)	—	36,970,434	—
Gain on sale of ICTSI shares (Note 9)	—	(2,784,366,978)	—
Operating income before working capital changes	277,726,534	230,149,377	233,866,121
Decrease (increase) in:			
Receivables	(97,315,306)	(29,552,881)	(316,573,739)
Inventories	98,542,965	(440,553,538)	94,755,301
Prepayments and other current assets	(16,290,008)	(14,225,664)	46,605,105
Increase (decrease) in accounts payable and accrued expenses	37,465,632	110,165,658	(52,732,220)
Net cash from (used in) operations	300,129,817	(144,017,048)	5,920,568
Interest received	155,937,768	88,991,067	52,152,016
Dividends received	68,473,701	42,071,271	82,692,029
Income taxes paid	(151,568,383)	(103,820,335)	(89,543,111)
Interest paid	(57,456,391)	(74,869,058)	(42,513,913)
Net cash flows from (used in) operating activities	315,516,512	(191,644,103)	8,707,589
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
AFS investments	2,611,756,834	2,243,459,851	1,211,542,302
FVPL investments	1,975,056,798	868,803,170	46,350,245
Investment properties (Note 12)	127,731,153	—	—
Property, plant and equipment	399,421	2,823,041	32,826,659
ICTSI shares (Note 9)	—	5,162,447,177	—
Decrease (increase) in:			
Other noncurrent assets	(31,644,205)	4,685,639	6,327,580
Advances to affiliates	(25,851,077)	(349,076,499)	(139,485,934)
(Forward)			

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2007	2006	2005
Additions to:			
AFS investments	(P 2,533,020,154)	(P 2,266,788,776)	(P 1,040,391,927)
FVPL investments	(1,326,209,013)	(2,140,807,397)	(21,204,096)
Property, plant and equipment (Note 11)	(63,724,184)	(138,013,604)	(10,006,060)
Investment properties (Note 12)	(38,588,080)	–	–
Investments	(350,000)	(1,050,000)	–
Proceeds from redemption of preferred shares of an associate (Note 9)	19,098,522	–	51,565,057
Acquisition of a subsidiary, net of cash acquired	–	–	(78,683,846)
Net cash flows from investing activities	714,656,015	3,386,482,602	58,839,980
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Notes payable	172,761,717	186,114,615	595,530,914
Sale of Company shares purchased by a subsidiary (Note 17)	36,965,645	–	–
Availment of long-term debt	–	49,132,000	4,606,166
Increase (decrease) in:			
Advances from customer	42,366	28,626,344	24,597,500
Minority interests	(23,610,440)	1,343,198	36,050,870
Deferred revenues	(931,873)	35,377,699	40,935,045
Payments of:			
Dividends (Note 17)	(138,779,236)	(2,446,951,537)	(127,090,545)
Notes payable	(33,000,000)	(185,000,000)	(280,000,000)
Long-term debt	(17,786,766)	(6,135,380)	(62,308,000)
Company shares purchased by a subsidiary (Note 17)	(141,156,174)	(295,331,927)	(182,715,640)
Decrease in other noncurrent liabilities	(2,517,939)	–	(38,365,632)
Net cash flows from (used in) financing activities	(148,012,700)	(2,632,824,988)	11,240,678
NET INCREASE IN CASH AND CASH EQUIVALENTS	882,159,827	562,013,511	78,788,247
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	8,345,570	–	(14,557,517)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	849,935,241	287,921,730	223,691,000
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	P 1,740,440,638	P 849,935,241	P 287,921,730

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

A. Soriano Corporation (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 13, 1930 to, among others, act as agent or representative of corporations, partnerships or individuals whether residing here or abroad; to buy, retain, possess shares of stock, franchises, patents of any person or entity and to issue shares of stock, bonds or other obligations for the payment of articles or properties acquired by the Company; and to buy or acquire all or part of the property, assets, business and clientele of any person, corporation or partnership, managing the properties or businesses so purchased or acquired and exercising all the powers necessary and convenient for the management and development of the said properties or businesses. The registered office address of the Company is at 7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City, Philippines.

The accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") were authorized for issue by the Board of Directors (BOD) on February 26, 2008.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for securities at fair value through profit or loss (FVPL) and available-for-sale (AFS) investments that have been measured at fair value. The consolidated financial statements are presented in Philippine pesos (₱), which is the Company's functional currency.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following PFRS and amendment to Philippine Accounting Standard (PAS) during the year. Adoption of these revised and new standards did not have any significant effect on the Group except for the additional disclosures on the notes to consolidated financial statements.

- Amendment to PAS 1, *Presentation of Financial Statements*
- PFRS 7, *Financial Instruments: Disclosures*

The principal effects of these changes are as follows:

PFRS 7, Financial Instruments: Disclosures

PFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, as well as sensitivity analysis to market risk. It replaces PAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and the disclosure requirements in PAS 32, *Financial Instruments: Disclosure and Presentation*. It is applicable to all entities that report under PFRS. Adoption of this standard resulted to the inclusion of additional disclosures such as market risk sensitivity analysis, contractual maturity analysis of financial liabilities and aging analysis of financial assets that are neither past due nor impaired, among others (see Note 25).

The Group adopted the amendment to the transition provisions of PFRS 7, as approved by the Financial Reporting Standards Council, which gives transitory relief with respect to the presentation of comparative information for the new risk disclosures about the nature and extent of risks arising from financial instruments. Accordingly, the Group opted not to present comparative information for the disclosures required by paragraphs 31-42 of PFRS 7, unless the disclosure was previously required under PAS 30 or PAS 32.

Amendment to PAS 1, *Presentation of Financial Statements*

Amendment to PAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. Adoption of this amendment resulted to the inclusion of additional disclosures on capital management (see Note 25).

Future Changes in Accounting Standards

The Group has not yet adopted the following standards, amendments or Philippine interpretations that have been approved but are not yet effective.

PFRS 8, *Operating Segments*

The Group will adopt PFRS 8, *Operating Segments*, effective January 1, 2009. PFRS 8 will replace PAS 14, *Segment Reporting*, and adopts a management approach to reporting segment information. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated balance sheet and consolidated statement of income and the Group will provide explanations and reconciliations of the differences. The Group will assess the impact of this standard to its current manner of reporting segment information.

PAS 23, *Borrowing Costs*

A revised PAS 23, *Borrowing Costs*, will be effective on January 1, 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*

This Interpretation will be effective on January 1, 2008. This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholder(s) of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instruments of the parent. The Group currently does not have any stock option plan and therefore, does not expect this Interpretation to have significant impact on its consolidated financial statements.

Philippine Interpretation IFRIC 12, *Service Concession Arrangements*

This Interpretation will be effective on January 1, 2008. This Interpretation, which covers contractual arrangements arising from entities providing public services, is not relevant to the Group's current operations.

Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

This Interpretation will be effective on January 1, 2009. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are fulfilled. The Group expects that this interpretation will have no impact on the consolidated financial statements as no such schemes currently exist.

Philippine Interpretation IFRIC 14, *PAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction*

This Interpretation will be effective on January 1, 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. The Group expects that this Interpretation will have no impact on the consolidated financial statements.

Amendment to PAS 1, *Presentation of Financial Statements*

Amendment to PAS 1 will be effective on January 1, 2009 and requires a company to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements: a separate statement of income and a statement of comprehensive income. The statement of comprehensive income shall disclose profit and loss for the period, plus each component of income and expense recognized outside of profit and loss.

Except for PFRS 8, the Group does not expect any significant changes in its accounting policies when it adopts the foregoing accounting changes when these become effective.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and the following wholly-owned and majority-owned subsidiaries:

	Nature of Business	Percentage of Ownership	
		2007	2006
A. Soriano Air Corporation	Services/Rental	100	100
Pamalican Island Holdings, Inc. (PIHI)	Holding	62	62
Island Aviation, Inc. (IAI, see Notes 11, 16 and 27)	Air Transport	62	62
Anscor Consolidated Corporation (Anscorcon, see Note 9)	Holding	100	100
Anscor Insurance Brokers, Inc. (AIBI, see Note 28)	Holding	100	100
Anscor International, Inc. (AI, see Notes 10 and 22)	Holding	100	100
International Quality Healthcare Investments, Ltd. (IQHIL, see Note 9)	Manpower Services	100	–
Medtiviva, Inc. (Medtiviva, see Note 9)	Manpower Services	100	–
Anscor Land, Inc. (ALI, see Note 28)	Real Estate Holding and Management	100	100
Anscor Property Holdings, Inc. (APHI, see Notes 9, 12 and 28)	Real Estate Holding	100	100
Makatwiran Holdings, Inc. (Makatwiran, see Note 9)	Real Estate Holding	100	–
Makisig Holdings, Inc. (Makisig, see Note 9)	Real Estate Holding	100	–
Malikhain Holdings, Inc. (Malikhain, see Note 9)	Real Estate Holding	100	–
Amosite Holdings, Inc. (AHI, see Note 9)	Real Estate Holding	–	100
ASC Mining and Industrial Corporation (ASMIC, see Note 28)	Quarry Asset Holding	100	100
Toledo Mining and Industrial Corporation (TMIC, see Note 28)	Quarry Asset Holding	100	100
Sutton Place Holdings, Inc. (Sutton)	Holding	100	100
International Quality Manpower Services, Inc. (IQMAN, see Notes 13, 14, 16, and 27)	Manpower Services	61	60
International Quality Healthcare Professional Connection, LLC (IQHPC, see Notes 13, 22 and 27)	Manpower Services	61	60
Phelps Dodge Philippines, Inc. (PDP, see Note 27)	Holding	58	58
Minuet Realty Corporation (Minuet, see Note 27)	Landholding	58	58
Phelps Dodge Philippines Energy Products Corporation (PDP Energy, see Notes 11, 15 and 27)	Wire Manufacturing	58	58
PD Energy International Corporation (PDEI, see Note 9)	Wire Manufacturing	58	–

Except for AI, IQHIL, Medtivia and IQHPC, the above companies are all based in the Philippines. The principal business location of AI and IQHIL is in the British Virgin Islands (BVI) while, Medtivia and IQHPC are in the United States of America (USA).

Subsidiaries are consolidated from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, are eliminated in full.

Minority interests represent the portion of profit or loss and net assets of IQMAN, PDP and PIHI that are not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from parent's equity.

Investments in Subsidiaries and Associates

Investments in Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments in Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements. The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The following are the Group's associates:

	Nature of Business	Percentage of Ownership	
		2007	2006
Vesper Industrial and Development Corporation (Vesper)	Real Estate Holding	60	60
Seven Seas Resorts and Leisure, Inc. (SSRLI, see Notes 9 and 27)	Resort	46	46
NewCo., Inc. (Newco, see Note 9)	Real Estate	45	45
Anscor-Casto Travel Corporation	Travel Agency	44	44
Vicinetum Holdings, Inc. (VHI, see Note 9)	Holding	27	27
Columbus Technologies, Inc.	Holding	27	27
Multi-Media Telephony, Inc. (MTI, see Note 9)	Broadband Services	27	27

Vesper has been excluded in the consolidated financial statements as special voting requirements adopted by Vesper's shareholders in 2003 manifested that the Company's 60% holdings in Vesper is not sufficient to carry major business decisions.

Business Combinations and Goodwill

Business combinations are accounted for using the purchase accounting method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a cash-generating unit or a group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortized goodwill is recognized in the consolidated statement of income.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Philippine peso (₱) based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the balance sheet date. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the closing exchange rates at the date when the fair value was determined.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (the Philippine peso) at the closing exchange rate at balance sheet date and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under Cumulative Translation Adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of income.

Financial Instruments

Date of recognition

The Company recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Derivatives are recognized on trade date basis.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: securities at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other liabilities. The classification depends on the purpose for which the investments were acquired and whether they are in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of fair value

The fair value of instruments that are actively traded in organized financial markets is determined by reference to market prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

Derivatives recorded at FVPL

The Group enters into derivative contracts, such as currency forwards with barrier options. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has certain derivatives that are embedded in host financial contracts (such as structured notes and debt investments). These embedded derivatives include barrier options, calls and puts in debt investments, conversion options, and interest rate options which are linked either to a single reference entity or a basket of reference entities.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL.

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group has opted not to designate its derivative transactions as accounting hedges. Consequently, gains and losses from changes in fair value of these derivatives are recognized immediately in the consolidated statement of income.

Classification of financial instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As of December 31, 2007, the Group has the following categories of financial assets and liabilities.

(a) Financial assets and financial liabilities at FVPL

This category includes financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in 'Gain on increase in market values of FVPL investments'. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As of December 31, 2007 and 2006, the Group has designated as FVPL all investments in bonds that have callable and other features, swaps, commodities and non-interest generating equity, equity linked notes, managed funds and derivatives amounting to ₱1.4 billion and ₱1.9 billion, respectively. The Company's financial liabilities at FVPL are derivatives amounting to ₱23.6 million as of December 31, 2007. The Group has no financial liabilities at FVPL as of December 31, 2006.

(b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as other financial assets held for trading, designated as AFS or financial assets designated at FVPL. After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized as 'Valuation allowances - net of recoveries' in the consolidated statement of income.

As of December 31, 2007 and 2006, the Group has loans and receivable amounting to ₱2.9 billion and ₱1.9 billion, respectively.

(c) AFS investments

AFS investments are those which are designated as such or do not qualify to be classified as designated as FVPL, HTM or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers, investments in managed funds and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported earnings and are reported as 'Unrealized valuation gains on AFS investments' in the equity section of the consolidated balance sheet.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized as 'Gain on sale of AFS investments' in the consolidated statement of income. Where the Group holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized as such in the consolidated statement of income when the right of the payment has been established. The losses arising from impairment of such investments are recognized as 'Valuation allowances - net of recoveries' in the consolidated statement of income.

As of December 31, 2007 and 2006, the Group's AFS investments amounted to ₱3.5 billion and ₱3.0 billion, respectively.

(d) Other liabilities - interest-bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

As of December 31, 2007 and 2006, interest-bearing loans and borrowings amount to ₱730.6 million and ₱608.6 million, respectively.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized or removed from the consolidated balance sheet where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is removed from the consolidated balance sheet when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification will result into the removal of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the 'Valuation allowances - net of recoveries' account in the consolidated statement of income.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments

In case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of interest income in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Day 1 Profit or Loss

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated statement of income only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit or loss amount.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated balance sheet.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, and other sales taxes or duties. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods

Sale is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Sale of Residential Units / Revenue on Villa Development Project

Real estate sales are generally accounted for under the full accrual method. Under this method, the gain on sale is recognized when: (a) the collectibility of the sales price is reasonably assured; (b) the earnings process is virtually complete; and (c) the seller does not have a substantial continuing involvement with the sold properties. The collectibility of the sales price is reasonably assured when the full downpayment comprising a substantial portion of the contract price is received and the capacity to pay and credit worthiness of the buyers have been reasonably established.

Revenue on Villa Development Project of an associate is recognized under the completed contract method. Under this method, revenue is recognized only when the villas have been constructed, delivered, and accepted by the buyer.

Rendering of Services

Management fees, air transport services, and other aviation-related activities are recognized when the services have been performed.

Revenues on nurse placements are recognized upon the nurse arrival and employment in the US hospitals.

All deposits on contracts with US hospitals are recorded under 'Deferred revenues' until the contracted nurses' arrival and employment in the US hospitals.

Interest

Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest method (i.e., the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends

Dividend income is recognized when the shareholders' right to receive the payment is established.

Rental

Rental income is accounted for on a straight-line basis over the lease term.

Costs of Services Rendered

All direct nurse costs incurred in deployment of nurses are deferred and included in the 'Other noncurrent assets' account in the consolidated balance sheet, until the nurses' arrival and employment in the US hospitals. Upon the nurses' arrival and employment in the US hospitals, deferred costs are reversed to 'Costs of services rendered'.

All selling and general and administrative expenses are expensed as incurred.

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Inventories

Inventories of subsidiaries are stated at the lower of cost and net realizable value. Cost is determined using the moving average method for raw materials, spare parts, and miscellaneous supplies and standard cost adjusted to actual cost for finished goods and work in process. The cost of finished goods and work in process includes the applicable allocation of fixed and variable overhead costs. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost of aircraft spareparts and supplies is determined using the moving average method. Net realizable value is the estimated current replacement cost of these inventories.

Residential units held for sale are carried at the lower of cost and net realizable value and include those costs incurred for the development and improvement of the properties.

Property, Plant and Equipment

Depreciable properties, including buildings and improvements, machinery and equipment, flight and ground equipment, and furniture, fixtures and office equipment, are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

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

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine, which is computed based on output method. In the case of leasehold improvements, amortization is computed on a straight-line method over the estimated useful life or the term of the lease, whichever is shorter.

Category	Number of Years
Buildings and improvements	5 - 30
Machinery and equipment	10 - 25
Flight and ground equipment	5 - 10
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5
Diamond and steel dies	5 - 10
Leasehold improvements	10

Aircraft engines are depreciated based on their estimated total flying hours.

The useful lives, depreciation and amortization method, and residual values are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the use of property, plant and equipment.

Investment Properties

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses.

Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the consolidated statement of income in the year of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed:

<u>Category</u>	<u>Number of Years</u>
Land improvements	30
Buildings	25 - 30
Condominium units	20

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Impairment of Assets (Other than Financial Assets)

At each reporting date, the Group assesses whether there is any indication that its non-financial assets (namely, Property, plant and equipment and Investment properties) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

Except for goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as of December 31 of each year.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Group as Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as Lessor

Leases where the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Pension Benefits

The Group has a contributory defined benefit retirement plan.

The retirement cost of the Group is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The liability recognized in the consolidated statement of income in respect of defined benefit pension plans (see Note 21) is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service costs, if any, are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognized and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Income Taxes

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in foreign subsidiaries and associates, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable income will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Current income tax and deferred income tax relating to items recognized directly in equity is also recognized in equity and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and deferred income taxes related to the same taxable entity and the same taxation authority.

Treasury Shares and Contracts on Own Shares

The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's shares.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Group does not have dilutive potential common shares.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

Borrowing Costs

Borrowing costs are expensed as incurred.

Events After Balance Sheet Date

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 4. The Group's assets that generate revenues are substantially located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

Operating Lease Commitments - Group as Lessee

The Group has entered into leases of office and commercial spaces. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors.

Operating Lease Commitments - Group as Lessor

The Group has entered into a commercial property lease on its investment property. The Group has determined that it retains all the significant risks and rewards of ownership of this property and so accounts for it as an operating lease.

Financial assets not in an active market

The Group classifies financial assets by evaluating, among others, whether the asset is or not in an active market. Included in the evaluation on whether a financial asset is in an active market is the determination on whether prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Estimates and Assumptions

Impairment losses on loans and receivables

The Group reviews its loans and receivables (trade receivables and related party advances) at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For the receivables, the Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations. Facts, such as the Group's length of relationship with the customers or other parties and the customers' or other parties' current credit status, are considered to ascertain the amount of reserves that will be recorded in 'Trade and Other Receivables'. These reserves are re-evaluated and adjusted as additional information is received. Allowance for doubtful accounts in 2007 and 2006 amounted to P856.2 million and P847.2 million, respectively. Receivables and advances, net of valuation allowance, amounted to P1.1 billion and P1.0 billion as of December 31, 2007 and 2006, respectively (see Notes 7 and 9).

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data.

Unquoted equity investments amounted to ₱218.5 million and ₱176.8 million as of December 31, 2007 and 2006, respectively (see Note 10).

Impairment of AFS equity investments

The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 6 months. In addition, the Group evaluates other factors, including normal volatility in share price for equities and the future cash flows and the discount factors for unquoted equities.

AFS equity investments amounted to ₱3.1 billion and ₱2.4 billion as of December 31, 2007 and 2006, respectively (see Note 10).

Impairment of investments carried at equity method

Investments carried at equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. As of December 31, 2007 and 2006, allowance for decline in value of investments amounted to ₱70.2 million. The carrying amounts of the investments, net of valuation allowance, amounted to ₱162.0 million and ₱146.0 million as of December 31, 2007 and 2006, respectively (see Note 9).

Estimating allowance for inventory and impairment losses

The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for inventory and impairment losses would increase recorded expenses and decrease current assets. As of December 31, 2007 and 2006, allowance for inventory losses amounted to ₱31.1 million and ₱35.6 million, respectively. Allowance for impairment losses amounted to ₱1.9 million as of December 31, 2007 and 2006. The carrying amount of the inventories, net of valuation allowance, amounted to ₱659.1 million and ₱752.7 million as of December 31, 2007 and 2006, respectively (see Note 8).

Estimating useful lives of the Group's property, plant and equipment and investment properties

The Group estimates the useful lives of property, plant and equipment and investment properties based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As of December 31, 2007 and 2006, the aggregate net book values of property, plant and equipment and investment properties amounted to ₱897.6 million and ₱917.7 million, respectively (see Notes 11 and 12).

Recognition of deferred income tax assets

The Group reviews the carrying amounts of the deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets. The Group has gross deferred income tax assets amounting to ₱130.9 million and ₱93.4 million as of December 31, 2007 and 2006, respectively (see Note 22).

Pension and other retirement benefits

The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on the Group's selection of certain assumptions used by actuaries in calculating such amounts. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension and other retirement obligations.

The expected rate of return on plan assets of 10 - 12% was based on the average historical premium of the fund assets. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of balance sheet dates. Refer to Note 21 for the details of assumptions used in the calculation.

Net benefit expense amounted to ₱2.0 million and ₱8.4 million in 2007 and 2006, respectively. Pension liability amounted to ₱10.8 million and ₱11.0 million as of December 31, 2007 and 2006, respectively. Pension asset amounted to ₱2.3 million as of December 31, 2007 (see Note 21).

Impairment of non-financial assets

(a) Property, Plant and Equipment and Investment Properties

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. As of December 31, 2007 and 2006, the aggregate impairment loss on property, plant and equipment and investment properties amounted to ₱13.3 million (see Notes 11 and 12).

As of December 31, 2007 and 2006, the aggregate net book values of property, plant and equipment and investment properties amounted to ₱897.6 million and ₱917.7 million, respectively (see Notes 11 and 12).

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In 2006, the Group recognized an impairment loss on the carrying amount of its goodwill (see Note 13).

4. Business Segments

The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered. The Group has no geographical segments as majority of the companies within the Group were incorporated and are operating within the Philippines. The Group has no inter-segment sales and transfers.

Wire manufacturing segment produces wires, insulated wires, metal plates, sheets and all types and kinds of workings with metals and alloys.

Holding company segment pertains to the operations of the parent company.

Other operations include air transportation, hangarage, real estate holding and management and manpower services.

The following tables present revenues and income information and certain assets and liabilities information regarding business segments as of and for the years ended December 31, 2007, 2006 and 2005 (in thousands):

	Before Eliminations				After Eliminations	
	Wire Manufacturing	Holding Co. (Parent)	Other Operations	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2007:						
Revenues	₱4,794,451	₱ 354,226	₱ 351,744	₱ 5,500,421	(₱ 301,633)	₱ 5,198,788
Investment gains	—	685,844	135,753	821,597	—	821,597
Net income	258,524	505,697	230,705	994,926	(299,256)	695,670
Total assets	2,497,842	7,440,621	1,926,298	11,864,761	(2,179,433)	9,685,328
Investments and advances	—	2,049,435	—	2,049,435	(1,863,803)	185,632
Property, plant and equipment	366,216	75,504	110,961	552,681	—	552,681
Total liabilities	840,400	478,936	206,641	1,525,977	(22,084)	1,503,893
Depreciation and amortization	50,460	17,614	29,409	97,483	—	97,483
Other non-cash expenses	(15,000)	25,000	(185)	9,815	—	9,815
As of and for the year ended December 31, 2006:						
Revenues	₱4,035,434	₱3,506,382	₱ 1,719,554	₱ 9,261,370	(₱ 4,750,606)	₱ 4,510,764
Investment gains	—	457,611	3,136,245	3,593,856	—	3,593,856
Net income	254,602	3,043,413	4,578,802	7,876,817	(4,747,375)	3,129,442
Total assets	2,381,685	7,053,081	1,375,415	10,810,181	(2,153,780)	8,656,401
Investments and advances	—	2,030,667	199,204	2,229,871	(2,061,098)	168,773
Property, plant and equipment	365,272	81,088	128,979	575,339	—	575,339
Total liabilities	883,143	359,280	722,826	1,965,249	(616,199)	1,349,050
Depreciation and amortization	51,004	15,214	23,859	90,077	—	90,077
Other non-cash expenses	5,000	530,702	8,465	544,167	—	544,167

(Forward)

	Before Eliminations			Total	Eliminations	After
	Wire Manufacturing	Holding Co. (Parent)	Other Operations			Eliminations
As of and for the year ended December 31, 2005:						
Revenues	₱ 2,945,312	₱ 141,087	₱ 453,736	₱ 3,540,135	(₱ 165,539)	₱ 3,374,596
Investment gains	–	338,506	88,707	427,213	–	427,213
Net income	167,604	637,322	366,916	1,171,842	(494,834)	677,008
Total assets	1,882,504	6,273,074	2,752,670	10,908,248	(3,306,014)	7,602,234
Investments and advances	–	3,593,387	2,144,124	5,737,511	(3,172,315)	2,565,196
Property, plant and equipment	404,859	77,732	37,056	519,647	–	519,647
Total liabilities	580,826	251,039	232,968	1,064,833	(54,590)	1,010,243
Depreciation and amortization	50,781	14,011	15,150	79,942	–	79,942
Other non-cash expenses	4,886	(27,761)	87,311	64,436	–	64,436

5. Cash and Cash Equivalents

	2007	2006
Cash on hand and with banks	₱ 483,126,743	₱ 313,821,303
Short-term investments	1,257,313,895	536,113,938
	₱ 1,740,440,638	₱ 849,935,241

Cash with banks earn interest at the respective bank deposit rates ranging from 2.5% to 7.0% in 2007 and 1.9% to 8.5% in 2006. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group.

6. Fair Value Through Profit or Loss (FVPL) Investments

	2007	2006
Funds and equities	₱ 555,840,796	₱ 1,129,208,134
Bonds	266,675,818	426,048,233
Others	584,828,107	329,724,082
	₱ 1,407,344,721	₱ 1,884,980,449

This account consists of investments that are designated as at FVPL, held-for-trading investments, and derivatives. Designated FVPL investments consist of structured notes with embedded derivatives (e.g., interest rate options, barrier options, equity options, call and put options) that significantly modify the note's cash flow, mutual/hedge funds, and bond equity investments that are managed together on a fair value basis.

In May 2006, the Group sold the ICTSI shares held for trading. The gain on changes in market value of ICTSI shares held for trading from January 1, 2006 until disposal date amounted to ₱145.9 million.

Bond investments include unrealized loss of ₱25.7 million in 2007 and unrealized gain of ₱2.2 million in 2006. Funds and equities include unrealized gain of ₱14.9 million and ₱29.9 million as of December 31, 2007 and 2006, respectively. Other FVPL investments include unrealized gains of ₱93.8 million and ₱0.8 million as of December 31, 2007 and 2006, respectively.

Net gains from financial assets designated at FVPL amounted to ₱123.9 million and ₱185.0 million in 2007 and 2006, respectively.

The Company entered into non-deliverable currency forwards and structured derivatives in 2007. The net fair value gain on outstanding derivative instruments as of December 31, 2007 amounted to ₱1.9 million.

There are no outstanding free-standing derivatives as of December 31, 2006.

7. Receivables

	2007	2006
Trade	P 1,029,210,494	P 980,320,145
Interest receivable	21,008,480	24,970,409
Tax credits/refunds	8,022,897	15,267,383
Advances to officers and employees	3,056,711	2,381,782
Others	91,169,124	56,707,464
	1,152,467,706	1,079,647,183
Less allowance for doubtful accounts	36,601,720	52,595,746
	P 1,115,865,986	P 1,027,051,437

Trade receivables are mainly from the wire manufacturing subsidiary, are noninterest-bearing and are generally on 30 - 90 days' terms.

Interest receivable pertains to accrued interest income from FVPL and AFS investments in debt instruments.

Other receivables in 2006 include receivable amounting to P9.1 million on matured forward currency contract subsequently collected in January 2007 and the remaining receivables arising from the sale of SPI Acquisition Company, LLC (SPIAC) shares (see Note 10).

Other receivables in 2007 include receivables related to the proceeds from sale of AFS investments amounting to P33.7 million which were subsequently collected in 2008.

Movements in the allowance for doubtful accounts are as follows:

At January 1, 2006	P 46,728,426
Provision for the year	5,867,320
At December 31, 2006	52,595,746
Written off during the year	(5,808,735)
Recoveries	(10,185,291)
At December 31, 2007	P 36,601,720

8. Inventories

	2007	2006
At cost:		
Finished goods	P 224,145,260	P 234,946,348
Work in process	24,342,643	27,182,920
Materials and supplies in transit	83,958,871	249,903,999
Miscellaneous supplies	8,885,661	2,197,475
	341,332,435	514,230,742
At net realizable values:		
Raw materials - net of allowance for inventory losses of P11.0 million in 2007 and 2006	200,538,528	142,886,414
Spare parts and supplies - net of allowance for inventory losses of P20.1 million and P24.6 million in 2007 and 2006, respectively	111,116,473	89,413,245
Residential units held for sale - net of allowance for impairment losses of P1.9 million and in 2007 and 2006	6,149,167	6,149,167
	317,804,168	238,448,826
	P 659,136,603	P 752,679,568

In 2006, a subsidiary sold two residential units previously held for sale. Revenues from the sale of these units amounted to ₱6.3 million. As a result of the sale, the subsidiary reversed the allowance for impairment losses pertaining to these two units amounting to ₱1.5 million.

9. Investments and Advances

	2007		2006
Investments at equity	₱ 161,962,714	₱	145,955,439
Advances - net of allowance for doubtful accounts of ₱819.6 million and ₱794.6 million in 2007 and 2006, respectively	23,669,124		22,818,047
	₱ 185,631,838	₱	168,773,486
Investments at equity consist of:			
	2007		2006
Acquisition cost:			
Common shares	₱ 288,369,300	₱	288,019,300
Preferred shares	126,200,583		145,299,105
	414,569,883		433,318,405
Accumulated equity in net earnings:			
Balances at beginning of year	(217,118,055)		1,589,627,756
Equity in net earnings for the year	34,755,797		130,629,115
Accumulated equity in net earnings of associates sold during the year	-		(1,937,374,926)
Balances at end of year	(182,362,258)		(217,118,055)
Valuation allowance	(70,244,911)		(70,244,911)
	₱ 161,962,714	₱	145,955,439

Significant details of the balance sheets and statements of income of SSRLI are enumerated below (in millions):

	2007		2006
Balance Sheets:			
Current assets	₱ 919.2	₱	186.2
Noncurrent assets	427.8		388.2
Current liabilities	869.6		110.9
Noncurrent liabilities	70.5		92.1
Statements of Income:			
Gross revenues	437.9		417.2
Net income	75.6		52.7

The significant transactions involving the Group's investments for 2007 and 2006 follow:

New Subsidiaries

- a. In May 2007, PDP Energy established PDEI, a company engaged in wire manufacturing. As of December 31, 2007, PDEI has not yet started commercial operations.
- b. In 2007, Medtivia and IQHIL were incorporated in the USA and BVI, respectively. Medtivia was established mainly to be the acquiring party of the nurse staffing agency in the USA. IQHIL is involved in the manpower services industry.
- c. In 2007, Makatwiran, Makisig and Malikhain were incorporated. The subsidiaries were incorporated primarily to purchase or deal in real and personal property.

- d. In 2006, APHI incorporated AHI as a special purpose company in accordance with the Memorandum of Agreement with Atlas Consolidated Mining and Development Corporation (Atlas). AHI's asset is mainly investment property. In 2007, AHI was sold to Atlas.

Anscorcon

- e. In May 2006, Anscorcon sold its 442,231,788 ICTSI shares at net price of ₱11.75 per share. Gain on sale amounted to ₱2.8 billion. This was partly offset by the reversal of the deferred loss on sale of the Company's ICTSI shares to Anscorcon amounting to ₱65.7 million.
- f. In 2005, Anscorcon received cash dividends amounting to ₱66.0 million from ICTSI at ₱0.15 per share.

SSRLI

- g. In January 2007 and November 2005, the Company received ₱19.1 million and ₱51.6 million, respectively, from SSRLI representing proceeds from SSRLI's redemption of the preferred shares held by the Company.
- h. On January 9, 2007, SSRLI and the Philippine Economic Zone Authority (PEZA) signed a Registration Agreement declaring SSRLI as an Ecozone Developer/Operator, entitling SSRLI to establish, develop, construct, administer, manage the villas and to operate the Ecozone. SSRLI is entitled to several tax and non-tax incentives under the Registration Agreement.
- i. In 2006, SSRLI incurred pre-development cost for its Phase 2 [Villa Development Project (the Project)]. The construction of the said villas started in 2007. As of December 31, 2007, SSRLI has already pre-sold seven villas. Phases 3 and 4 of the Project are already in the planning stages as of December 31, 2007. No revenues were recognized in 2007 and 2006 as the villas have not been completed and turned over to buyers.

Others

- j. In 2005, the Company realized revenues amounting to ₱35.0 million, representing its share on the collection of the nonperforming loans absorbed by Global Business Bank (now merged with Metropolitan Bank and Trust Company), buyer of the Company's investment in AsianBank Group that was sold in December 1999. The gains are included in 'Other income (expenses) - net' of the consolidated statements of income. In January 2005, final settlement was made.

Net advances consist of receivables from the following associates:

	2007	2006
Newco	₱ 16,791,438	₱ 17,781,288
SSRLI	4,208,708	2,376,487
MTI (net of allowance for doubtful accounts of ₱564.8 million and ₱539.8 million in 2007 and 2006, respectively)	-	-
Others	2,668,978	2,660,272
	₱ 23,669,124	₱ 22,818,047

In 2006, the Company provided additional advances to MTI amounting to US\$6.5 million. The advances are payable in 2 years and bear interest at 20% per annum. The Company has the option to convert these advances to shares of stock of MTI.

In June and September 2005, the Company entered into a loan agreement with MTI for the latter to issue convertible debts to the Company. The debts, totaling US\$3.0 million, are payable in 270 days and bear interest at 20% per annum. Prior to the payment date, the Company has the option to convert the said debt into VHI's (MTI's parent company) shares of stock. As of December 31, 2007, the Company has not yet exercised its option to convert the said debt.

In 2007, additional ₱25.0 million advances were extended to MTI to be converted to 278,822 shares of VHI.

The Group fully provided for its advances in MTI due to MTI's losses in the past years and it was not able to follow on its expansion and revenue-generating plans because of delays in the entry of new investors who shall infuse funds to expand its capital base.

10. Available for Sale (AFS) Investments

	2007		2006	
Quoted equity shares	P	2,730,149,853	P	1,456,764,929
Bonds		371,134,665		596,584,233
Unquoted equity shares		218,499,453		176,790,686
Funds and equities		97,939,638		702,379,586
Proprietary shares		87,189,322		49,129,322
	P	3,504,912,931	P	2,981,648,756

Quoted equity shares consist of marketable equity securities that are listed and traded on the Philippine Stock Exchange (PSE). The fair market values of these listed shares are based on their closing market prices as of December 31, 2007 and 2006.

Quoted equity shares as of December 31, 2007 include the market value of eTelecare Global Solutions, Inc. (eTelecare) shares amounting to P741.2 million. eTelecare shares were listed in Nasdaq in May 2007 and in the PSE in November 2007. The cost of these investments amount to P40.3 million in 2006 and were included under 'Unquoted equity shares'. The increase in value of these shares is recorded in equity as part of 'Unrealized valuation gains on AFS investments.'

Investments in bonds, funds and equities and proprietary shares' market prices or rates are calculated and/or confirmed by fund managers. Unquoted equity shares are carried at cost subject to impairment.

AFS investments in bonds represent foreign currency-denominated bond securities with fixed coupon interest rate per annum ranging from 6.75% to 11.75% in 2007 and 1.75% to 11.25% in 2006. Maturity dates range from July 9, 2010 to October 25, 2017. Effective interest rates range from 4.94% to 12.81% and 2.63% to 12.29% for foreign currency-denominated AFS investments for the years ended December 31, 2007 and 2006, respectively.

In July 2006, AI sold its SPIAC shares, that were previously recorded under 'Unquoted equity shares', and posted a gain on sale of P243.3 million, plus reversal to income of deferred gain amounting to P116.0 million, which originated in May 2004 when the Company, through AI, reinvested a portion of the proceeds from the sale of the old SPI Technologies, Inc. to SPIAC.

Below is the rollforward of the unrealized gains/losses on AFS investments:

	2007		2006	
Beginning balance	P	589,411,964	P	165,410,232
Gain recognized directly in equity		1,067,445,353		585,398,826
Amount removed from equity and recognized in profit and loss		(562,235,929)		(161,397,094)
Ending balance	P	1,094,621,388	P	589,411,964

In May 2007, AI purchased 10% of the shares of Direct With Hotels, Inc. (Direct With Hotels). The latter is engaged in online reservations for hotels and specializes in launching, marketing and maximizing its partner-hotels' websites. The total cost of the investment in Direct With Hotels amounting to P21.9 million is included under 'Unquoted equity shares'.

In December 2007, the Company entered into a subscription agreement with Prople, Inc. (Prople; formerly Gralce Holdings, Inc.) for the acquisition of 6,665 shares of stock of the latter, equivalent to 20% of the outstanding shares.

Prople is a domestic corporation that owns Prople-bpo, Inc. (formerly Sommersault, Inc.), Prople-kpo, Inc. and Prople-contents, Inc. (the Prople Group). The Prople Group is into business process outsourcing, specializing in finance and accounting, human resource administration and industry-focused transaction processing services.

The total cost of the investment in Prople amounting to P33.4 million is included under 'Unquoted equity shares' in 2007.

Investment in Prople is accounted for as AFS at cost because management believes that the Company does not have the ability to exercise significant influence on Prople. Furthermore, the Company does not have any involvement in the operations of Prople. The shares of stock of Prople are not publicly-traded.

11. Property, Plant and Equipment

As of December 31, 2007

	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Flight and Ground Equipment	Furniture, Fixtures and Office Equipment
Cost:					
January 1	P 41,454,045	P 304,385,477	P 596,003,500	P 193,539,359	P 70,018,302
Additions	–	5,344,498	39,049,248	77,929	7,505,500
Disposals	–	–	–	–	(69,420)
Write-off	–	(3,499,123)	–	–	–
December 31	41,454,045	306,230,852	635,052,748	193,617,288	77,454,382
Accumulated Depreciation and Amortization:					
January 1	5,467,034	136,885,197	371,352,864	71,111,332	60,302,962
Depreciation and amortization for the year	644,350	16,026,499	33,384,945	23,565,643	4,631,035
Disposals	–	–	–	–	–
Write-off	–	(2,861,986)	–	–	–
Others	–	16,889	–	–	3,185
December 31	6,111,384	150,066,599	404,737,809	94,676,975	64,937,182
Impairment Loss:					
December 31	–	–	–	3,292,953	–
Net Book Value	P 35,342,661	P 156,164,253	P 230,314,939	P 95,647,360	P 12,517,200

	Subtotal*	Transportation Equipment	Diamond and Steel Dies	Total
Cost				
January 1	P 1,205,400,683	P 41,864,666	P 21,282,982	P 1,268,548,331
Additions	51,977,175	11,747,009	–	63,724,184
Disposals	(69,420)	(545,000)	–	(614,420)
Write-off	(3,499,123)	–	–	(3,499,123)
December 31	1,253,809,315	53,066,675	21,282,982	1,328,158,792
Accumulated Depreciation and Amortization:				
January 1	645,119,389	29,073,696	15,723,366	689,916,451
Depreciation and amortization for the year	78,252,472	6,431,279	842,391	85,526,142
Disposals	–	(415,338)	–	(415,338)
Write-off	(2,861,986)	–	–	(2,861,986)
Others	20,074	–	–	20,074
December 31	720,529,949	35,089,637	16,565,757	772,185,343
Impairment Loss:				
December 31	3,292,953	–	–	3,292,953
Net Book Value	P 529,986,413	P 17,977,038	P 4,717,225	P 552,680,676

* Sum of property, plant and equipment details indicated in the first table.

As of December 31, 2006

	Land and Improvements	Buildings and Improvements	Machinery and Equipment	Flight and Ground Equipment	Furniture, Fixtures and Office Equipment
Cost:					
January 1	₱ 41,454,045	₱ 293,809,105	₱ 594,202,581	₱ 80,335,896	₱ 71,452,874
Additions	–	10,576,372	6,760,209	113,203,463	4,265,199
Disposals	–	–	–	–	(5,699,771)
Reclassifications	–	–	(4,959,290)	–	–
December 31	41,454,045	304,385,477	596,003,500	193,539,359	70,018,302
Accumulated Depreciation and Amortization:					
January 1	4,853,367	122,904,885	338,364,763	51,278,504	59,612,206
Depreciation and amortization for the year	613,667	13,963,423	32,988,101	19,832,828	4,551,420
Disposals	–	–	–	–	(3,860,664)
Others	–	16,889	–	–	–
December 31	5,467,034	136,885,197	371,352,864	71,111,332	60,302,962
Impairment Loss:					
December 31	–	–	–	3,292,953	–
Net Book Value	₱ 35,987,011	₱ 167,500,280	₱ 224,650,636	₱ 119,135,074	₱ 9,715,340

	Subtotal*	Transportation Equipment	Diamond and Steel Dies	Total
Cost:				
January 1	₱ 1,081,254,501	₱ 40,382,428	₱ 16,323,692	₱1,137,960,621
Additions	134,805,243	3,225,250	–	138,030,493
Disposals	(5,699,771)	(1,743,012)	–	(7,442,783)
Reclassifications	(4,959,290)	–	4,959,290	–
December 31	1,205,400,683	41,864,666	21,282,982	1,268,548,331
Accumulated Depreciation and Amortization:				
January 1	577,013,725	23,965,241	14,041,376	615,020,342
Depreciation and amortization for the year	71,949,439	5,869,141	1,681,990	79,500,570
Disposals	(3,860,664)	(760,686)	–	(4,621,350)
Others	16,889	–	–	16,889
December 31	645,119,389	29,073,696	15,723,366	689,916,451
Impairment Loss:				
December 31	3,292,953	–	–	3,292,953
Net Book Value	₱ 556,988,341	₱ 12,790,970	₱ 5,559,616	₱ 575,338,927

* Sum of property, plant and equipment details indicated in the first table.

Depreciation charged to operations amounted to ₱85.5 million, ₱79.5 million and ₱70.3 million in 2007, 2006 and 2005, respectively.

In 2006, IAI acquired a new aircraft initially amounting to US\$1.0 million. Subsequent upgrade of the aircraft amounted to ₱37.7 million. Likewise, in 2006, the capitalized cost of engine overhaul for IAI's first Dornier was ₱23.4 million.

In 2005, IAI reversed part of its allowance for impairment loss on its aircraft. The reversal amounting to ₱8.5 million was based on the estimated recoverable amount which approximated the estimated net selling price of the second-hand aircraft purchased in January 2006.

In 2005, PDP Energy sold machineries with net book value of P9.4 million at a gain amounting to P22.8 million, which was included in the 'Other income (expenses) - net' account in the consolidated statements of income.

12. Investment Properties

As of December 31, 2007

	Land	Land Improvements	Buildings	Condominium Units	Total
Cost					
January 1	P 165,926,225	P 20,306,698	P 257,790,358	P 18,057,001	P 462,080,282
Additions	38,588,080	—	—	—	38,588,080
Disposals	(25,673,218)	—	—	—	(25,673,218)
December 31	178,841,087	20,306,698	257,790,358	18,057,001	474,995,144
Accumulated Depreciation:					
January 1	—	12,030,015	96,774,267	902,850	109,707,132
Depreciation for the year	—	3,261,349	6,218,802	902,850	10,383,001
December 31	—	15,291,364	102,993,069	1,805,700	120,090,133
Impairment Loss:					
December 31	—	—	—	10,002,195	10,002,195
Net Book Value	P 178,841,087	P 5,015,334	P 154,797,289	P 6,249,106	P 344,902,816

As of December 31, 2006

	Land	Land Improvements	Buildings	Condominium Units	Total
Cost	P 165,926,225	P 20,306,698	P 257,790,358	P 18,057,001	P 462,080,282
Accumulated Depreciation:					
January 1	—	8,738,717	90,391,876	—	99,130,593
Depreciation for the year	—	3,291,298	6,382,391	902,850	10,576,539
December 31	—	12,030,015	96,774,267	902,850	109,707,132
Impairment Loss:					
December 31	—	—	—	10,002,195	10,002,195
Net Book Value	P 165,926,225	P 8,276,683	P 161,016,091	P 7,151,956	P 342,370,955

In February 2007, APHI sold one of its lots in Cebu Business Park. Gain arising from the sale amounted to P47.4 million.

In May 2006, APHI entered into a Memorandum of Agreement with another company for the sale of certain lots. The purchase price amounted to US\$1.2 million. The sale was completed in May 2007. Gain arising from the sale amounted to P54.7 million.

Fair values of the investment properties amounted to P601.9 million and P749.0 million as of December 31, 2007 and 2006, respectively. The fair values were determined based on valuations performed by independent appraisers.

13. Other Noncurrent Assets

Other noncurrent assets include the Company's positive goodwill in its investment in IQMAN, through Sutton, amounting to P37.0 million which was fully-impaired in 2006. The impairment loss is shown as part of the 'Other income (expenses) - net' account in the consolidated statements of income. The Company, through Sutton, assessed that there will be delays in the recovery of the investment cost in IQMAN due to the recurrence of the US State Department's imposition of a temporary ban on the US immigrant visas for departing nurses from the Philippines and other countries.

Other noncurrent assets also include deferred nurse costs of IQHPC amounting to P29.9 million and P11.3 million as of December 31, 2007 and 2006, respectively.

14. Notes Payable

Notes payable represent unsecured short-term interest-bearing peso-denominated liabilities of the following companies in the Group to various local banks:

Bank loans availed by:	2007		2006	
PDP Energy	P	493,000,000	P	526,000,000
A. Soriano Corporation		150,000,000		—
IQMAN		42,407,246		19,645,529
	P	685,407,246	P	545,645,529

The loans bear annual interest rates ranging from 6.5% to 8.9% in 2007 and 8.5% to 9.0% in 2006. As of December 31, 2007, the Group's unavailed loan credit line from banks amounted to P1.4 billion.

15. Accounts Payable and Accrued Expenses

	2007		2006	
Trade payables	P	190,086,934	P	165,678,118
Accrued expenses and withholding tax payables (see Note 21)		132,851,016		129,121,026
Due to non-affiliated companies (see Note 27)		41,842,995		40,247,207
Advances from customers		35,369,680		41,448,546
Other payables		23,692,713		9,882,809
	P	423,843,338	P	386,377,706

Trade payables are noninterest-bearing and are normally settled on 30 - 90 days' terms.

Accrued expenses include PDP Energy's accruals for shipping, insurance, sales commissions and interest.

Due to non-affiliated companies mainly pertain to liabilities of PDP Energy which are noninterest-bearing and have an average term of 30 - 60 days.

16. Long-term Debt

Long-term debt pertains to the following:

Long-term debt availed by:

	2007		2006	
IAI	P	41,280,000	P	49,132,000
IQMAN		3,891,694		13,826,460
		45,171,694		62,958,460
Less current portion		3,891,694		9,217,640
	P	41,280,000	P	53,740,820

Loan payable of IAI represents a US\$1.0 million loan obtained by IAI in October 2006 from a local bank to finance the purchase of the second aircraft (see Note 11). The debt has a two-year grace period and is payable in sixteen quarterly installments starting January 2009 up to October 2012. The loan bears interest based on the average 90-day LIBOR rate plus spread of 3.5% per annum. The loan is collateralized by chattel mortgages on IAI's two aircrafts with a carrying value of P56.3 million as of December 31, 2007.

The long-term debt of IQMAN was obtained from a local commercial bank. The loan bears interest based on the 90-day LIBOR rate plus spread of 3.5% per annum and is payable in eight quarterly installments beginning June 2006.

IQMAN's and IAI's loan payments for the 2007 long-term debt are as follows:

2008	US\$	94,000	₱	3,891,694
2009		250,000		10,320,000
2010		250,000		10,320,000
2011		250,000		10,320,000
2012		250,000		10,320,000
Total		1,094,000		45,171,694
Current portion		94,000		3,891,694
Noncurrent portion	US\$	1,000,000	₱	41,280,000

Annual interest rates charged in 2007, 2006 and 2005 ranged from 8.0% to 8.9%, 8.5% to 9.0%, 8.6% to 10.8%, respectively.

17. Equity

Equity holdings of the parent

Capital stock consists of the following common shares:

	Number of Shares	Amount
Authorized	3,464,310,958	₱ 3,464,310,958
Issued	2,500,000,000	₱ 2,500,000,000

Outstanding shares, net of shares held by a subsidiary, as of December 31, 2007 and 2006 totaled 1,547,221,811 and 1,577,488,811, respectively.

In 2007, 2006 and 2005, the Company declared the following cash dividends:

	2007	2006	2005
Cash dividends per share	₱ 0.10	₱ 0.08	₱ 0.08
Month of declaration	April	April	April
Stockholders of record	May 2, 2007	May 12, 2006	May 6, 2005
Total cash dividends	₱ 250 million	₱ 200 million	₱ 200 million
Share of a subsidiary	₱ 93.3 million	₱ 71.2 million	₱ 61.6 million

In addition to the above, the BOD approved a special declaration of a cash dividend in May 2006 of ₱1.50 per share payable to all stockholders of record as of June 20, 2006 arising from the gain on the sale of ICTSI shares by the Group (see Notes 6 and 9). Total cash dividends amounted to ₱2.4 billion, net of the share of a subsidiary of ₱1.3 billion.

As of December 31, 2007 and 2006, the Company had dividends payable amounting to ₱112.3 million and ₱94.4 million, respectively. These dividends payable represent mainly dividend checks that were returned by the post office and which remained outstanding as of December 31, 2007 and 2006 due to problematic addresses of some of the Company's stockholders.

Shares held by a subsidiary

As of December 31, 2007 and 2006, a subsidiary held 952,778,189 shares and 922,511,189 shares, respectively, of the Company. Cost of shares purchased in 2007 and 2006 amounted to ₱141.2 million and ₱295.3 million, respectively.

Proceeds from the sale of shares held by a subsidiary in 2007 amounted to ₱37.0 million with the excess over cost of purchase amounting to ₱23.4 million credited to 'Additional paid-in capital.'

18. Cost of Goods Sold / Services Rendered and Operating Expenses

Cost of goods sold / services rendered consist of:

	2007	2006	2005
Materials used	P 3,919,538,044	P 3,147,790,642	P 2,288,582,683
Repairs and maintenance	75,128,426	85,983,573	67,244,449
Utilities	62,511,349	62,012,262	54,350,179
Depreciation and amortization (see Notes 11 and 12)	60,789,124	57,508,406	50,714,163
Salaries, wages and employee benefits (see Note 19)	38,966,935	34,441,427	26,065,366
Supplies	35,147,216	28,805,243	28,902,744
Technical assistance fees (see Note 27)	34,486,181	38,300,926	20,611,944
Fuel cost	25,854,825	24,824,523	14,075,571
Nurse deployment expenses (see Note 27)	24,138,254	28,428,482	33,270,754
Outside services	14,806,397	11,921,347	10,245,743
Variable nurse costs (see Note 27)	9,409,675	39,582,980	14,121,491
Insurance	4,131,529	4,679,019	4,583,718
Cost of residential units sold	-	7,372,462	-
Others	9,424,453	10,773,669	16,796,633
	P 4,314,332,408	P 3,582,424,961	P 2,629,565,438

Increase in cost of goods sold / services rendered was mainly attributable to higher volume of production of a wire manufacturing subsidiary.

Operating expenses consist of:

	2007	2006	2005
Salaries, wages and employee benefits (see Note 19)	P 123,650,408	P 202,600,245	P 111,400,664
Professional fees	45,711,637	82,433,891	32,806,914
Taxes and licenses	42,996,897	21,151,926	24,173,744
Project-related	40,639,464	-	-
Depreciation and amortization (see Notes 11, 12 and 13)	36,693,758	32,568,703	29,227,621
Shipping and delivery expenses	29,989,774	33,683,537	26,882,912
Rental	14,228,857	10,426,220	10,659,546
Entertainment, amusement and recreation	13,199,899	10,461,023	7,738,401
Transportation and travel	11,675,887	12,628,002	8,815,831
Communications	10,273,766	9,681,522	7,274,202
Utilities	7,190,227	9,035,511	6,834,109
Advertising	6,473,796	4,360,723	3,965,644
Security services	5,599,229	5,448,744	5,684,286
Repairs and maintenance	5,137,176	7,933,982	9,884,669
Office supplies	4,973,976	4,799,444	3,629,090
Commissions	3,950,666	5,015,465	3,679,879
Meetings and conferences	3,766,365	3,086,134	3,073,927
Association dues	3,310,422	3,010,542	4,378,613
Insurance	2,916,691	3,415,464	3,733,338
Others	27,678,040	21,243,106	9,873,738
	P 440,056,935	P 482,984,184	P 313,717,128

Project-related expenses pertain to expenses incurred by the Company and a subsidiary in pursuit of several acquisition targets.

19. Personnel Expenses

	2007	2006	2005
Salaries and wages	P 147,240,741	P 212,213,466	P 112,480,587
Pension costs (see Note 21)	1,958,020	8,398,805	7,566,701
Social security premiums, meals and other employees' benefits	13,418,582	16,429,401	17,418,742
	P 162,617,343	P 237,041,672	P 137,466,030

In view of the substantial income generated by the Company in 2006 for the sale of its investments, the Company declared a special and nonrecurring bonus to its executive officers and directors in the amount of ₱82.5 million, as approved by the BOD and the Compensation Committee in November 2006. There had been no special and nonrecurring bonus declared in 2007 and 2005.

20. Interest Income, Interest Expense and Valuation Allowances

Interest income consists of:

	2007		2006		2005
Debt instruments	₱ 72,463,486	₱	50,766,239	₱	40,357,151
Cash equivalents	38,282,546		46,141,741		7,163,996
Funds and equities	41,191,997		3,647,679		-
Others	37,810		891,365		1,182,551
	₱ 151,975,839	₱	101,447,024	₱	48,703,698

Interest income on debt instruments is net of bond amortization amounting to ₱1.2 million in 2007, ₱4.3 million in 2006 and ₱4.0 million in 2005.

Interest expense consists of:

	2007		2006		2005
Notes payable (see Note 14)	₱ 48,219,780	₱	65,494,586	₱	37,498,662
Long-term debt (see Note 16)	9,236,611		9,374,472		5,015,251
	₱ 57,456,391	₱	74,869,058	₱	42,513,913

Valuation allowances consist of:

	2007		2006		2005
Valuation allowances on:					
Advances to an associate (see Note 9)	₱ 25,000,000	₱	539,761,343	₱	-
Receivables	-		5,867,320		5,000,000
Investments	-		-		84,000,000
Other noncurrent assets	-		-		11,301,317
Others	-		-		2,545,784
Recovery of allowances for:					
Advances	-		-		(29,911,333)
Impairment losses (see Notes 7, 8 and 11)	(15,185,291)		(1,461,215)		(8,500,000)
	₱ 9,814,709	₱	544,167,448	₱	64,435,768

21. Pension and Other Post-employment Benefit Plans

The Group has funded defined pension benefit plans covering substantially all of its officers and employees.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets:

	2007		2006		2005
Pension income:					
Current service cost	₱ 3,588,957	₱	-	₱	-
Interest cost on benefit obligation	5,937,673		-		-
Expected return on plan assets	(12,844,872)		-		-
Net actuarial gain recognized	(1,491,002)		-		-
	(4,809,244)		-		-
Retirement benefit expense:					
Current service cost	5,452,922		4,909,438		5,467,149
Interest cost on benefit obligation	2,833,104		12,253,030		10,319,207
Expected return on plan assets	(1,397,947)		(9,318,001)		(8,063,954)
Net actuarial loss (gains) recognized	(120,815)		554,338		(155,701)
	6,767,264		8,398,805		7,566,701
Net benefit expense	₱ 1,958,020	₱	8,398,805	₱	7,566,701
Actual return on plan assets	₱ 14,628,510	₱	23,796,790	₱	7,709,452

Computation of pension liability (pension asset):

	2007		2006	
Defined benefit obligation	₱	81,172,095	₱	—
Fair value of plan assets		125,585,135		—
		(44,413,040)		—
Unrecognized net actuarial gain		(42,080,641)		—
Pension asset	(₱)	2,332,399	₱	—

	2007		2006	
Defined benefit obligation	₱	42,058,794	₱	109,739,506
Fair value of plan assets		21,884,485		122,250,842
		20,174,309		(12,511,336)
Unrecognized net actuarial gain (loss)		(9,326,987)		23,524,916
Pension liability	₱	10,847,322	₱	11,013,580

Changes in the present value of the defined benefit obligations are as follows:

	2007		2006	
Opening defined benefit obligation	₱	109,739,506	₱	88,905,349
Interest cost		8,597,067		12,253,030
Current service cost		8,209,821		4,909,437
Benefits paid		(125,976)		—
Actuarial loss (gain) on obligation		(3,189,529)		3,671,690
Closing defined benefit obligation	₱	123,230,889	₱	109,739,506

Changes in the fair value of plan assets are as follows:

	2007		2006	
Opening fair value of plan assets	₱	122,250,842	₱	80,221,586
Expected return		14,181,098		9,318,001
Contributions		7,872,455		7,872,455
Actuarial gains		3,165,225		24,838,800
Closing fair value of plan assets	₱	147,469,620	₱	122,250,842

The Group expects to make the same contributions to its defined benefit pension plans in 2008.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2007	2006
Bonds	45%	45%
Stocks	43%	43%
Others	12%	12%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	2007	2006
Discount rate	7% - 8%	7% - 9%
Expected rate of return on plan assets	10% - 12%	6% - 12%
Future salary increases	7.5% - 10%	8% - 12%

Amounts for 2007 and 2006 are as follows:

	2007	2006
Defined benefit obligation	P 123,230,889	P 109,739,506
Plan assets	147,469,620	122,250,842
Deficit	24,238,731	12,511,336
Experience adjustments on plan liabilities	6,239,288	13,069,399
Experience adjustments on plan assets	509,298	24,664,655

22. Income Taxes

The provision for income tax consists of:

	2007	2006	2005
Current	P 142,653,029	P 148,534,427	P 87,500,263
Deferred	(20,333,405)	(22,639,202)	(16,690,039)
	P 122,319,624	P 125,895,225	P 70,810,224

The components of the net deferred income tax assets and liabilities are as follows:

	2007	2006
Net deferred income tax assets		
Recognized directly in the consolidated statements of income:		
Deferred income tax assets:		
Unrealized foreign exchange losses	P 75,633,093	P 271,578
Allowances for:		
Inventory losses	10,706,540	12,456,540
Doubtful accounts	6,893,662	10,393,662
Impairment loss	-	1,267,827
NOLCO	12,602,546	-
MCIT	9,693,126	-
Derivative liability	8,292,449	-
Unamortized past service cost	4,103,906	760,209
	127,925,322	25,149,816
Deferred income tax liabilities:		
Market adjustments in FVPL investments	(29,040,375)	-
Uncollected management fees	(11,830,666)	-
Derivative asset	(8,897,673)	-
Pension asset	(813,190)	-
Others	(592,837)	-
	(51,174,741)	-
	76,750,581	25,149,816
Recognized directly in equity:		
Cumulative translation adjustment (CTA)	2,936,457	-
Unrealized valuation gains on AFS investments	(107,832)	-
	2,828,625	-
	P 79,579,206	P 25,149,816

	2007	2006
Net deferred income tax liabilities		
Recognized directly in the consolidated statements of income:		
Deferred income tax assets:		
Unrealized foreign exchange loss	P —	P 33,748,268
NOLCO	—	14,633,182
MCIT	—	5,144,110
Unamortized past service cost	—	4,878,469
	—	58,404,029
Deferred income tax liabilities:		
Market adjustments in FVPL investments	—	(13,660,121)
Uncollected management fees	—	(10,383,192)
Unrealized foreign exchange gains	—	(60,629)
	—	(34,300,087)
	—	24,103,942
Recognized directly in equity:		
CTA	—	9,833,618
Unrealized valuation gains on AFS investments	(1,702,773)	(55,985,604)
	(1,702,773)	(46,151,986)
	(P 1,702,773)	(P 11,851,899)

There are deductible temporary differences for which no deferred income tax assets were recognized as future realizability of these deferred income tax assets is not certain. These deductible temporary differences are as follows:

	2007	2006
Allowances for:		
Doubtful accounts	P 815,764,015	P 812,972,800
Impairment losses	36,949,066	1,571,624
Accumulated depreciation on investment properties	49,324,878	43,521,951
NOLCO	20,715,830	22,951,485
MCIT	4,996,800	3,122,551
Unrealized foreign exchange losses	2,246,619	443,657
Provision for probable losses	2,002,405	—
Unamortized past service cost	208,613	—
Accrued pension benefit	171,871	—
	P 932,380,097	P 884,584,068

In 2007, deductible temporary differences above include the parent company's NOLCO and MCIT amounting to P11.9 million and P2.1 million, respectively, that will expire in 2008.

For 2007 and 2006, the Group did not recognize the deferred income tax assets for the CTA on AI and IQHPC amounting to P107.1 million and P52.9 million, respectively, as the Group assessed that these will not be realizable in the future.

The reconciliation of provision for income tax computed at the statutory tax rates to provision for income tax is as follows:

	2007	2006	2005
Provision for income tax at statutory tax rates	P 286,296,337	P 1,139,368,198	P 243,040,814
Additions to (reductions from) income taxes resulting from:			
Nonrecognition of deferred income tax assets	40,304,401	187,684,179	31,866,734
Nondeductible expenses	6,345,682	9,867,153	26,469,848
Interest expense not deductible	2,124,724	5,410,742	654,074
Gain on sale of AFS investments subjected to final tax	(154,200,393)	(117,456,770)	(64,830,507)
Dividend income not subject to income tax	(23,965,795)	(14,724,945)	(5,316,134)
Interest income already subjected to final tax	(20,657,049)	(14,193,538)	(2,299,758)

(Forward)

	2007	2006	2005
Equity in net earnings of associates not subject to income tax	(P 12,164,529)	(P 45,720,190)	(P 80,368,950)
Effects of change in tax rates	(1,434,943)	2,832,665	1,124,056
Gain on sale of ICTSI shares not subject to income tax	-	(974,528,442)	-
Gain on increase in market values of FVPL investments	-	(51,087,782)	(60,728,410)
Write-off (recovery) of deferred income tax assets	-	-	(17,533,314)
Others	(328,811)	(1,556,045)	(1,268,229)
	P 122,319,624	P 125,895,225	P 70,810,224

As of December 31, 2007, the Group has NOLCO and MCIT that can be claimed as deduction from future taxable income as follows:

Year Generated	Expiration	NOLCO	MCIT
2005	December 31, 2008	P 18,019,067	P 3,309,058
2006	December 31, 2009	33,911,013	4,239,375
2007	December 31, 2010	10,794,237	7,141,493
		P 62,724,317	P 14,689,296

The following are the movements of NOLCO and MCIT:

	2007	2006
NOLCO		
At January 1	P 63,845,423	P 59,614,962
Additions - recurring	10,794,237	33,911,013
Applications	(2,374,832)	(2,154,392)
Expirations	(9,540,511)	(27,526,160)
	P 62,724,317	P 63,845,423

	2007	2006
MCIT		
At January 1	P 8,266,661	P 3,502,253
Additions - recurring	7,141,493	5,301,369
Application	(142,361)	-
Expirations	(575,867)	(536,961)
	P 14,689,926	P 8,266,661

Republic Act (RA) No. 9337

On May 24, 2005, the new Expanded Value-Added Tax (E-VAT) law was signed as RA No. 9337 or the E-VAT Act (The Act) of 2005. The E-VAT law took effect on November 1, 2005 following the approval on October 19, 2005 of Revenue Regulations 16-2005 which provided for the implementation of the rules and regulations of the new E-VAT law. The Act, among others, introduced the following changes:

- a) Regular corporate income tax rate for domestic corporations, and resident and non-resident foreign corporations is increased from 32% to 35% for the next three years effective on November 1, 2005, and will be reduced to 30% starting January 1, 2009 and thereafter;
- b) Grant of authority to the Philippine President to increase the VAT rate from 10% to 12% effective January 1, 2006, subject to compliance with certain economic conditions;
- c) Input VAT on capital goods should be spread evenly over the useful life or sixty months, whichever is shorter, if the acquisition cost, excluding the VAT component thereof, exceeds one million pesos; and
- d) Input VAT credit in every quarter shall not exceed 70% of the output VAT excluding input VAT as of October 31, 2005. In November 2006, this provision was removed.

On January 31, 2006, Revenue Memorandum Circular No. 7-2006 was issued increasing the VAT rate from 10% to 12% effective February 1, 2006.

Revenue Regulation (RR) No. 12-2007

On October 19, 2007, the Bureau of Internal Revenue issued RR No. 12-2007 which requires the quarterly computation and payment of MCIT beginning on the income tax return for fiscal quarter ending September 30, 2007. This RR amended certain provisions of RR No. 9-98 which specifically provides for the computation of the MCIT at the end of each taxable year.

23. Earnings Per Share - Basic / Diluted

Earnings per share - basic / diluted were computed as follows:

	2007	2006	2005
Net income attributable to equity holdings of the parent	P 619,781,984	P 3,043,413,595	P 637,321,888
Weighted average number of shares	1,558,074,644	1,624,334,236	1,730,643,806
Earnings per share	P 0.40	P 1.87	P 0.37

The Company does not have potential dilutive common stock equivalents.

24. Related Party Transactions

In the normal course of business and in addition to those disclosed in Notes 9 and 27, the Group grants/receives interest and noninterest-bearing cash advances to/from its associates and affiliates.

Compensation of key management personnel (in million pesos):

	2007	2006	2005
Short-term employee benefits	P 58.0	P 59.6	P 51.0
Post-employment benefits	4.4	4.4	4.4
Total compensation of key management personnel	P 62.4	P 64.0	P 55.4

25. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents, receivables, investments in plain vanilla and structured debt instruments, quoted and unquoted equity securities, investments in mutual and hedged funds, short-term and long-term bank loans.

The Company's investment objectives consist mainly of:

- maintaining a bond portfolio that earns adequate cash yields and
- maintaining a stable equity portfolio that generates capital gains through a combination of long-term strategic investments and short-term to medium-term hold type investment.

The main risk arising from the use of these financial instruments are foreign currency risk, credit risk, liquidity risk, interest rate risk and equity price risk. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocations to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, and an independent consultant. The evaluation and meetings occur at least every quarter.

The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit Risk

The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being able to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets.

Credit risk management

In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. For investments in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in foreign equity funds are made in mutual funds and/or hedge funds with investments in A-rated companies with good dividend track record as well as capital appreciation. The investment portfolio mix between debt and equities is reviewed regularly by the Committee.

Credit risk exposures

The carrying amounts of the assets represents maximum credit exposure. The table below shows the gross maximum exposure to on- and off-balance sheet credit risk exposures of the Group, without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques:

	2007		2006	
Cash on hand and with banks	₱	483,126,743	₱	313,821,303
Short-term investments		1,257,313,895		536,113,938
FVPL investments				
Funds and equities		555,840,796		1,129,208,134
Bonds		266,675,818		426,048,233
Others		584,828,107		329,724,082
AFS investments				
Quoted equity shares		2,730,149,853		1,456,764,929
Bonds		371,134,665		596,584,233
Unquoted equity shares		218,499,453		176,790,686
Funds and equities		97,939,638		702,379,586
Proprietary shares		87,189,322		49,129,322
Receivables				
Trade		1,029,210,494		980,320,145
Interest receivable		21,008,480		24,970,409
Advances to officers and employees		3,056,711		2,381,782
Others		91,169,124		56,707,464
		1,144,444,809		1,064,379,800
Less allowance for doubtful accounts		36,601,720		52,595,746
		1,107,843,089		1,011,784,054
	₱	7,760,541,379	₱	6,728,348,500

Credit quality per class of financial asset

For the Group's receivables, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy. The table below shows the credit quality by class of financial asset based on the Group's credit rating system:

2007	Financial Assets that are Neither Past Due nor Impaired			
	High Grade	Standard Grade	Substandard Grade	Total
Cash on hand and with banks	₱ 483,126,743	₱ –	₱ –	₱ 483,126,743
Short-term investments	1,257,313,895	–	–	1,257,313,895
FVPL investments				
Bonds	32,327,478	216,391,540	17,956,800	266,675,818
Funds and equities	536,732,532	19,108,264	–	555,840,796
Others	113,130,311	5,717,295	–	118,847,606
AFS investments				
Bonds	138,681,811	232,452,854	–	371,134,665
Funds and equities	97,939,638	–	–	97,939,638
Receivables				
Trade	–	371,244,733	–	371,244,733
Interest receivable	–	21,008,480	–	21,008,480
Advances to officers and employees	–	2,403,759	–	2,403,759
Others	–	84,738,550	–	84,738,550
	₱ 2,659,252,408	₱ 953,065,475	₱ 17,956,800	₱ 3,630,274,683

The Group evaluates credit quality on the basis of the credit strength of the security and or counterparty/issuer. High grade financial assets reflect the investment grade quality of the investments and/or counterparty; realizability is thus assured. Standard grade assets are considered moderately realizable.

Financial assets that are past due but not impaired

The table below shows the aging analysis of past due but not impaired loans receivables per class that the Group held. Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

December 31, 2007	Financial Assets that are Due but Not Impaired				Total
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	
Receivable from customer	P 1,525,446	P 355,078,829	P 160,992,470	P 140,369,016	P 657,965,761
Advances to officers and employees	652,952	—	—	—	652,952
Others	4,056,843	53,912	44,471	11,371,187	15,526,413
Total	P 6,235,241	P 355,132,741	P 161,036,941	P 151,740,203	P 674,145,126

Liquidity Risk

Liquidity risk is defined as the risk that the fund may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity or quasi-equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due, this is done by primarily investing in highly liquid investments. The Group is exposed to liquidity risk arising from its short-term bank loans from local and investment banks.

The table below summarizes the maturity profile of the Group's financial liabilities at December 31 based on undiscounted contractual payments.

December 31, 2007	Within 6 months	6 to 12 months	1 to 5 years	Total
Notes payable	P 664,693,694	P 20,713,552	P —	P 685,407,246
Accounts payable and accrued expenses	414,750,295	9,093,046	—	423,843,341
Long-term debt	—	3,891,694	41,280,000	45,171,694
Advances from customers	—	—	81,278,710	81,278,710
Dividends payable	112,322,722	—	—	112,322,722
Interest payable	2,531,250	—	—	2,531,250
	P 1,194,297,961	P 33,698,292	P 122,558,710	P 1,350,554,963

Market Risks

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, foreign currency risk, and equity price risks.

Investments exposed to market risk are foreign and local currency denominated quoted debt instruments, foreign and local currency denominated equity instruments, unquoted debt instruments linked to quoted equity securities and mutual fund/hedged fund investments.

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

a. Interest rate risks

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The following table demonstrates management's best estimate of the sensitivity to reasonable possible change in interest rates, with all other variables held constant:

2007	Change in interest rates (in bps)	Effect on income before tax	Effect on equity
AFS investments	+150	₱ 2,291,040	₱ 2,291,040
FVPL investments	-150	(2,291,040)	(2,291,040)

The sensitivity of the consolidated statement of income is the effect of assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets held at December 31, 2007 for the effects of the assumed changes in interest rates.

Price interest rate risk

The Company accounts for its debt investments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

The basic sensitivity analysis assumes that the bond's standard deviation on its historical yield for the past one year provides the basis for the range of reasonably possible change in bond prices. In establishing the relative range of bond yields based on historical standard deviation, the Company assumes a 99% confidence level.

The table below shows the impact on income before income tax and equity of the estimated future bond yields using a sensitivity approach.

2007	Change in relative average yield	Effect on income before tax	Effect on equity
AFS investments	+2.96% to +36.31%	₱ –	₱ 86,484,643
	-2.96% to -36.31%	–	(31,252,554)
FVPL investments	+2.96% to +36.31%	79,309,414	79,309,414
	-2.96% to -36.31%	(14,994,623)	(14,994,623)

The annual standard deviation of the changes in the bonds' historical yield ranges from 2.96% to 36.31%. With 99% confidence level, the returns could range between 6.68% and 84.60% of the average yield.

b. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Company's investment in stocks and equity linked notes. For investments in Philippine equities, majority of funds are invested in equities listed in the PSE.

The basic sensitivity analysis assumes that the stocks' standard deviation on its historical yield for the past one year provides the basis for the range of reasonably possible changes in prices of the stock investments. In establishing the relative range of the stock investment yields based on historical standard deviation, the Company assumes a 99% confidence level.

The table below shows the impact on income before income tax and equity of the estimated future yield of the stock investments using a sensitivity approach.

2007	Change in PSEi average returns	Effect on income before tax	Effect on equity
AFS investments	+62.04%	₱ -	₱ 1,431,138,644
	-62.04%	-	(1,431,138,644)
FVPL investments	+62.04%	223,841,605	223,841,605
	-62.04%	(223,841,605)	(223,841,605)

The annual standard deviation of the PSE index (PSEi) is approximately 26.67%. With 99% confidence level, the returns could be +/-62.04% from the average returns.

Investments in equity linked notes are also exposed to equity price risk as the return on the investments is dependent on the performance of the underlying stock investments. The basic sensitivity analysis assumes that the underlying stocks' standard deviation on its historical yield for the past one year provides the basis for the reasonable possible change in prices of the equity linked notes. In establishing the relative range of the underlying stock investment yields based on historical standard deviation, the Group assumes a 99% confidence level.

The table below shows the impact on income before tax and equity of the investment in equity linked notes using a sensitivity approach.

2007	Change in relative average return	Effect on income before tax	Effect on equity
FVPL investments	+9.7% to +36.53%	₱ 22,457,673	₱ 22,457,673
	-9.7% to -36.53%	(58,308,976)	(58,308,976)

The annual standard deviation of the yield of underlying indices ranges from 9.70% to 36.53%. This indicates that the related indices can deviate from the index average price by around 9.70% to 36.53%.

c. Price interest risk of mutual funds

The Company is exposed to the risks of changes in the fund's net asset value due to its market risk exposures.

The basic sensitivity analysis assumes that the related market indices' standard deviation on its historical yield for the past one year provides the basis for reasonably possible change in prices of the investments in mutual funds. In establishing the relative range of the market indices' yields based on historical standard deviation, the Company assumes a 99% confidence level.

The table below shows the impact on income before income tax and equity of the estimated future yield of the related market indices of the mutual funds using a sensitivity approach.

2007	Change in relative average return	Effect on income before tax	Effect on equity
Mutual funds	+2.90% to +21.04%	₱ 141,875,593	₱ 141,875,593
	-2.90% to -21.04%	(59,720,330)	(59,720,330)

The annual standard deviation of the yield of related indices ranges from 2.90% to 21.04%. With 99% confidence level, the returns could range between 34.32% and -22.85% from the average returns.

d. Foreign exchange risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows. This arises primarily from investments in foreign currency denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as US dollar and Euro. This also enables the parent company and a subsidiary to access investment opportunities in those currencies. The parent company and a subsidiary occasionally engage in foreign currency forward contracts as a defensive measure against foreign currency volatility.

On borrowings, it is the Company's group-wide policy for its subsidiaries and affiliates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, SSRLI and IQMAN can borrow in US dollars as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

The table below indicates the currencies to which the Company had significant exposure as of December 31, 2007.

The analysis discloses management's best estimates of the effect of reasonable possible movement of the currency rate against the Philippine peso. It assumes that all other variables remain constant. A negative amount in the table reflects a potential reduction in income or equity, while a positive amount reflects a net potential increase.

2007	Change currency rate		Effect on income before tax		Effect on equity
US dollar	+3.10%	₱	91,639,752	₱	153,296,578
	-3.10%		(110,278,953)		29,703,093
Euro	+4.22%		7,635,109		4,962,821
	-4.22%		(7,635,109)		(4,962,821)

Capital Management

Due to the diversity of the operations of each company in the Group, capital risk management processes in place are specific to each company. Below are the capital risk management policies of the Company and its more significant subsidiaries:

- a. The primary objective of the Company's capital management is to ensure an adequate return to its shareholder and to maximize its value to its shareholders. In pursuance of this goal, the Company establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Company establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

No changes were made in the objectives, policies or process for the years ended December 31, 2007 and 2006.

- b. The primary objective of PDP Energy's capital management is to ensure an adequate return to its shareholder and to maximize shareholder value.

PDP Energy manages its capital structure and makes adjustments to it in light of changes in economic conditions. It monitors its use of capital using leverage ratios, such as net debt to total capitalization. PDP Energy is not subject to externally imposed capital requirements.

No changes were made in the objectives, policies or process for the years ended December 31, 2007 and 2006.

c. IQMAN's capital management objectives are:

- To ensure its ability to continue as a going concern; and
- To provide an adequate return to shareholders

by pricing products and services commensurately with the level of risk.

IQMAN monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheet.

IQMAN sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying business.

26. Financial Instruments

Categorization of Financial Instruments

December 31, 2007	Loans and Receivables	Financial Assets at FVPL	AFS Investments	Total
Cash and cash equivalents	₱ 1,740,440,638	₱ –	₱ –	₱ 1,740,440,638
FVPL investments	–	1,407,344,721	–	1,407,344,721
AFS investments	–	–	3,504,912,931	3,504,912,931
Receivables	1,107,843,089	–	–	1,107,843,089
	₱ 2,848,283,727	₱ 1,407,344,721	₱ 3,504,912,931	₱ 7,760,541,379

December 31, 2006	Loans Receivables	Financial Assets at FVPL	AFS Investments	Total
Cash and cash equivalents	₱ 849,935,241	₱ –	₱ –	₱ 849,935,241
FVPL investments	–	1,884,980,449	–	1,884,980,449
AFS investments	–	–	2,981,648,756	2,981,648,756
Receivables	1,011,784,054	–	–	1,011,784,054
	₱ 1,861,719,295	₱ 1,884,980,449	₱ 2,981,648,756	₱ 6,728,348,500

December 31, 2007	Other Liabilities
Notes payable	₱ 685,407,246
Accounts payable and accrued expenses	423,843,338
Dividends payable	112,322,722
Advances from customers	81,278,710
Long-term debt	45,171,694
	₱ 1,348,023,710

December 31, 2006	Other Liabilities
Notes payable	₱ 545,645,529
Accounts payable and accrued expenses	386,377,706
Dividends payable	94,448,277
Advances from customers	81,236,344
Long-term debt	62,958,460
	₱ 1,170,666,316

Fair Values of Financial Assets and Liabilities

The carrying amounts of cash and cash equivalents, receivables, notes payable and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments.

AFS and FVPL investments are stated at their fair values. The carrying values of long-term debt, which have floating rates with quarterly repricing, approximate their fair values.

27. Contracts and Agreements

- a. In line with the plant relocation of PDP to Luisita Industrial Park (LIP) in the province of Tarlac, Minuet executed a deed of assignment with Stag Trading Corporation (Stag, a liquidated subsidiary), the owner of the 12 hectares land in LIP to assume Stag's liabilities for advances received from PDP and any unpaid liability on the land acquired. The execution of the deed effectively transferred to Minuet Stag's rights, title and interests to the parcels of land, including improvements and buildings constructed thereon. Minuet currently leases a portion of its land and buildings to PDP Energy.
- b. In June 2003, IAI entered into a Maintenance Cost Assurance Program with Honeywell (Singapore) Pte. Ltd. effective for five years for the latter to provide support services to IAI's aircraft engine. On August 23, 2006, IAI entered into a Maintenance Service Plan with Honeywell effective for five years for the latter to provide support services to IAI's additional aircraft engine acquired this year. Under the terms of the programs, IAI agrees to pay a fee computed at a rate of engine's actual operating hours or the minimum operating hours, subject to annual escalation. In November 2005, IAI removed one of its aircraft engines for overhaul and in line with this a rented engine was installed. The rented engine was returned by end of first quarter of 2006.
- c. SSRLI has an agreement with IAI for the latter to provide regular air service. IAI shall charge SSRLI a fixed round trip rate per passenger, subject to an annual review by both parties, with a guarantee that all of IAI's operating costs will be covered. The original agreement had a duration of no less than two years and was renewed in February 2006 for another two years. Revenues earned by IAI from these chartered flights amounted to ₱98.0 million, ₱92.0 million and ₱64.6 million in 2007, 2006 and 2005, respectively, and is shown as part of the 'Services' account in the consolidated statements of income.

In line with the above agreement, SSRLI made several advances to IAI, which IAI expects to pay through application against future services to be rendered by IAI to SSRLI. Advances from SSRLI amounted to ₱82.3 million and ₱81.2 million as of December 31, 2007 and 2006, respectively.

- d. SSRLI executed an Operating and Management Agreement (OMA) with Amanresorts Management, B.V. (the Operator of Amanresorts), a company based in Amsterdam, the Netherlands, for a fee of 5% of SSRLI's gross operating profits, as defined in the OMA. The OMA provides for, among others, the reimbursements by SSRLI to Amanresorts of all costs and expenses incurred by the latter in connection with the management and operation of SSRLI and a reserve cash funding equivalent to 4% of gross revenues, which will be used to cover the cost of replacements, renewals, and additions to furniture, fixtures and equipment. Operating and management fee amounted to ₱13.1 million, ₱12.5 million and ₱5.8 million in 2007, 2006 and 2005, respectively.

Likewise, marketing services and license contracts with Amanresorts were entered into by SSRLI, providing marketing fee of 3% of SSRLI's hotel revenues and US\$1,000 monthly fee, respectively.

- e. Beginning January 2004, PDP Energy entered into a new technical assistance contract with Phelps Dodge International Corporation which provides an annual payment of technical fees amounting to a certain percentage of audited income before tax (VAT) inclusive. Management and technical fees amounted to ₱34.5 million, ₱34.4 million and ₱27.9 million in 2007, 2006 and 2005, respectively.

- f. The Company leases out its investment property to a third party. The term of the lease is for three years and was renewed in November 2005 for another three years. The lease is subject to a fixed amount of escalation in the third year.

In December 2006, the Company cancelled the above lease agreement and entered into a new lease agreement with another third party. The term of the new lease is for two years and 10 months, with the lease term starting on February 1, 2007 and is renewable upon mutual agreement of the parties. The lease is subject to a fixed amount of escalation in the second and third years.

Total rent income recognized in 2007, 2006 and 2005 amounted to ₱14.5 million, ₱10.0 million and ₱8.9 million, respectively, and are shown as part of 'Other income (expenses) - net' account in the consolidated statements of income. Future minimum lease collections will amount to ₱14.5 million in 2008 and ₱13.9 million in 2009.

- g. In January 2006, IQMAN entered into a Service Agreement with its subsidiary, IQHPC, which provides among others that IQMAN shall act as supplier of nurses to IQHPC. In consideration for such services, IQHPC agreed to pay a monthly service fee to cover the actual direct costs and/or expenses incurred by certain departments of the Company, as well as actual general overhead costs and/or expenses incurred by the Company that are necessary in providing the services as specified in the agreement. Medtivia shall also pay an additional fee equivalent to 5% on all billed expenses.
- h. In the ordinary course of business, IQHPC enters into Service Agreements with US hospitals and/or staffing agencies to provide services in relation to the placement of qualified Filipino nurses for full time employment in the US. The Service Agreement sets forth the rights, responsibilities, terms and conditions governing IQHPC's services, which include among others, training and procedural assistance in obtaining all required licensure examinations, obtaining US permanent residence status and eventual placement of the nurses to the US hospitals and/or agency.
- As of December 31, 2007, IQHPC has twelve outstanding Service Agreements with different US hospitals and one with a staffing agency.
- i. As of December 31, 2007, IQHPC has outstanding commission agreements with an independent consulting firm and an employee.

28. Events After Balance Sheet Date

- a. On January 19, 2008, the Company, through its subsidiary, Medtivia, entered into a Purchase Agreement for the acquisition of all the outstanding equity interests in Cirrus Holdings USA, LLC and its affiliate, Cirrus Medical Staffing, LLC (Cirrus). Both companies are engaged in the contract and temporary staffing and permanent placement of nurses and allied healthcare professionals in the USA.

The fair value of the identifiable assets and liabilities of Cirrus as at the date of the acquisition are:

Cash	US\$	83,320
Receivables		2,102,793
Property and equipment		63,169
Other assets		550,653
Accounts payable and accrued expenses		(366,858)
Net assets		2,433,077
Goodwill arising on acquisition		11,516,923
Consideration, satisfied by cash	US\$	13,950,000

The fair value adjustments and goodwill computation are provisionally determined. Adjustments will be made once final amounts have been determined within one year from acquisition date.

- b. On February 21, 2008, IQMAN's BOD approved the utilization of the additional paid in capital of said subsidiary to wipe-out its deficit. Appropriate application for SEC approval will be done subsequently.
- c. Management plans to merge ALI, AIBI, ASMIC and TMIC with APHI, where the latter will be the surviving entity. As of February 26, 2008, the plan is still subject to BOD approval.

Statement of Management's Responsibility



The management of A. Soriano Corporation is responsible for all information and representations contained in the consolidated balance sheets as of December 31, 2007 and 2006 and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2007. The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external auditors (i) all significant deficiencies, if any, in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses, if any, in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the consolidated financial statements before such statements are approved and submitted to the Stockholders of the Company.

SyCip Gorres Velayo & Co., the independent auditors appointed by the Stockholders, have audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing and have expressed their opinion on the fairness of presentation upon completion of such examination in the report to the Stockholders and the Board of Directors.

ERNEST K. CUYEGKENG
Executive Vice President &
Chief Financial Officer

ANDRES SORIANO III
Chairman &
Chief Executive Officer

Board of Directors



Andres Soriano III
Chairman of the Board/
Chief Executive Officer/President



Eduardo J. Soriano
Vice Chairman/
Treasurer



John L. Gokongwei, Jr.



Oscar J. Hilado



Jose C. Ibazeta



Raymundo G. Pe



Roberto R. Romulo

Officers

Ernest K. Cuyegkeng
Executive Vice President & Chief Financial Officer

Narcisa M. Villaflor
Vice President & Comptroller

Joshua L. Castro
Executive Assistant & Assistant Corporate Secretary

Lorna P. Kapunan
Corporate Secretary

SUBSIDIARIES

A. Soriano Air Corporation
 Anscor Consolidated Corporation
 Anscor Insurance Brokers, Inc.
 Anscor International, Inc.
 Anscor Land, Inc.
 Anscor Property Holdings, Inc.
 ASC Mining and Industrial Corporation
 Cirrus Holdings USA, LLC
 Cirrus Medical Staffing, LLC
 International Quality Healthcare Investments, Ltd.
 International Quality Healthcare Professional Connection, LLC
 International Quality Manpower Services, Inc.
 Island Aviation, Inc.
 Makatwiran Holdings, Inc.
 Makisig Holdings, Inc.
 Malikhain Holdings, Inc.
 Medtivia, Inc.
 Minuet Realty Corporation
 Pamalican Island Holdings, Inc.
 Phelps Dodge Philippines Energy International Corporation
 Phelps Dodge Philippines Energy Products Corporation
 Phelps Dodge Philippines, Inc.
 Sutton Place Holdings, Inc.
 Toledo Mining and Industrial Corporation

AFFILIATES

Anscor-Casto Travel Corporation
 Asiaview Realty & Development Corporation
 Columbus Technologies, Inc.
 eTelecare Global Solutions, Inc.
 KSA Realty Corporation
 Multi-media Telephony, Inc.
 NewCo., Inc.
 Prople, Inc.
 Prople-bpo, Inc.
 Prople-kpo, Inc.
 Prople-contents, Inc.
 Seven Seas Resorts and Leisure, Inc.
 Vesper Industrial and Development Corporation
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 Picazo Buyco Tan Fider & Santos
 Tan Acut & Lopez