

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the calendar year ended **December 31, 2007**
2. SEC Identification Number **134800** 3. BIR Tax Identification No. **000-590-608-000**

4. Exact name of issuer as specified in its charter **JOLLIVILLE HOLDINGS CORPORATION**

5. **PHILIPPINES** 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization

7. **4/F 20 Lansbergh Place**
170 Tomas Morato Ave., corner Scout Castor St.
Quezon City **1103**
Address of principal office Postal Code

8. **(632) 373-3038**
Issuer's telephone number, including area code

9. Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, ₱1 par value	281,500,000 shares

11. Are any or all of these securities listed on a Stock Exchange.

Yes [] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:
PHILIPPINE STOCK EXCHANGE **COMMON STOCK**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No [**X**]

13. Aggregate market value of the voting stock held by non-affiliates is: ₱189,879,309 as of December 31, 2007 and ₱158,232,758 as of March 31, 2008.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

Originally incorporated as Jolliville Realty and Development Co., Inc. ("JRDCI"), a realty company, in September 1986 by the Ting family, the Company underwent a transformation to that of a holding company in 1999. On April 15, 1999, the Securities and Exchange Commission (SEC) approved the change in name of JRDCI to Jolliville Holdings Corporation ("JOH"), as well as the change in its primary purpose. Subsequently, on May 4, 1999, the SEC approved the increase in capitalization of JOH. The authorized capital stock of the Company was increased from 30,000 shares with a par value of ₱100 per share to 1 billion shares with a new par value of ₱1 per share. To date, 281.5 million common shares are issued and fully paid.

After this transformation into a holding company, JOH acquired the entire capital stock of its affiliates namely, Jolliville Group Management, Inc. ("JGMI"), Jollideal Marketing Corporation ("JMC"), Ormina Realty and Development Corporation ("ORDC") (parent company of Calapan Waterworks Corporation, "CWWC" or "Calapan Water"), Jolliville Leisure and Resort Corporation ("JLRC"), and Ormin Holdings Corporation ("OHC"). It acquired the foregoing companies through the assignment of shares of stock, which was paid for in cash to members of the Ting Family who held ownership in the former prior to JOH's acquisition.

JGMI was incorporated on March 9, 1994 and at present, has an authorized capital stock of ₱10 million divided into 100,000 common shares, with a par value of ₱100 per share. To date, 50,000 common shares are issued and fully paid.

UCMC was incorporated on October 1, 1999, and at present, has an authorized capital stock of ₱8 million divided into 8 million common shares, with a par value of ₱1 per share. This company is a wholly owned subsidiary of JOH who is also the incorporator. To date, 2 million common shares are issued and fully paid.

ORDC was incorporated on April 22, 1997 with an authorized capital stock of ₱200 million divided into 200 million common shares, with a par value of ₱1 per share. To date, 50 million common shares of the corporation are subscribed and ₱23,331,830 has been received as payment on subscription.

JLRC was incorporated on March 20, 1995, and at present, has an authorized capital stock of ₱20 million divided into 200,000 common shares, with a par value of ₱100 per share. To date, 50,000 common shares are issued and fully paid.

JMC was incorporated on April 10, 1989 with an authorized capital stock of ₱2 million divided into 20,000 common shares, with a par value of ₱100 per share. To date, 10,000 common shares are issued and fully paid.

OHC was incorporated on March 1, 1994 with an authorized capital stock of ₱10 million divided into 100,000 common shares, with a par value of ₱100 per share. To date, 25,000 common shares are issued and fully paid.

Granville Ventures, Inc. ("GVI") was incorporated on March 19, 2001 with an initial authorized capital stock of ₱1 million divided into 1 million common shares, with a par value of ₱1 per share. To date, 250,000 common shares are subscribed and ₱62,500 has been received as payment on subscription.

CWWC was incorporated on May 23, 1991, and at present, has an authorized capital stock of ₱200 million divided into 200 million common shares, with a par of ₱1 per share. To present, 52,493,000 common shares of the corporation are subscribed and ₱16,399,250 has been received as payment on subscription.

The Company through its subsidiary, ORDC, acquired a 92% controlling equity interest in Calapan Water in December 1999. On March 24, 2003, the Securities and Exchange Commission (SEC) approved the decrease in its par value from ₱100 to ₱1 thus increasing the no. of shares by a 1:100 ratio. Subsequently on August 6, 2003, the SEC approved the company's equity restructuring plan where there was an 85% decrease in the paid-in capital. The resulting surplus of ₱24,752,000 was used to wipe out the accumulated deficit as of December 31, 2002 of ₱16,872,555. Finally on October 24, 2003, the SEC approved the company's increase in its authorized capital stock from 7.5 million shares to 200 million shares. Relative to the increase, 48,125,000 shares were subscribed and ₱12,031,250 was received as payment on subscriptions. As a result of the increase and additional subscriptions, JOH now owns, directly and indirectly, 99.35% of CWWC.

(2) Business of Issuer

The Group has principal business interests in leasing, management services, property development and land banking, and a local waterworks system.

JOH and ORDC leases and rents out certain assets including land, buildings & improvements, furnishings and fixtures, equipment, and machineries to a number of independent business entities involved in the operation and management of KTV entertainment/recreation centers in the Metro Manila area.

A group subsidiary, JGMI provides general management services and assistance to companies within and affiliated to the Group, notably ORDC and its subsidiary, Calapan Water. Another consolidated subsidiary, UCMC, on the other hand, provides specialized management consultancy services to third parties engaged in the KTV entertainment and leisure/recreation business, particularly in the areas of facilities remodeling and interior design, organizational consulting, records management and bookkeeping assistance. Management services are provided based on a pre-agreed monthly contract retainer that is reviewed yearly.

The Group owns and holds title to a number of properties in Metro Manila, Calapan City and Puerto Galera in Oriental Mindoro. These property investments, which include parcels of urban land, provincial and beachfront properties, as well as condominium units, are held for future operations and/or development. At this time when demand for property is soft, the Company is in no real rush to start development of its land-banked properties and there is no pressure on it

to do so. It will only start its own development program for its properties once there is already a clear signal of a real turn around in the property situation.

Through JLRC, the Company has ventured with other investors (Aviso Holdings, Inc., Sta. Lucia Realty and Dev't., Inc., Alson's Land Corp. and Blue River Holdings, Inc.) to invest in a businessman's hotel at the Eagle Ridge Golf and Country Club in General Trias, Cavite. Known as the Eagle Ridge Microtel, it is the first value-for-money businessman's hotel in the area designed to cater not only to the accommodation needs of transient businessmen and tourists, but also to golf players and enthusiasts who frequent the golf course and facilities Eagle Ridge. JLRC has an 18.2% stake in Eagle Ridge Hotel Corporation.

Calapan Water owns, operates and manages the waterworks system of Calapan City, Oriental Mindoro. It is one of the few privately owned water systems in the country today. Within its franchise area, it has no competitor and there is no known oppositor to its franchise.

As of December 31, 2007, the water supply system serves seventeen (17) urban barangays and seven (7) adjoining rural barangays with the number of household connections at 6,173 representing 63% of its service area population.

Groundwater is the source of water supply in Calapan City. A total of six (6) wells were operated in 2007.

Well No.	Location of Water Sources	Production (lps)
4	Tawiran	18.93
5	Sta. Maria Village	21.00
8	Pachoca	15.77
9	Bayanan	32.00
10	Bayanan	32.00
	Greenhills	Booster

Potential locations of additional wells are already identified based on the results of the geo-resistivity survey.

All wells are equipped with production meters and unaccounted-for water (NRW) for the year 2007 averaged 30.95% as against 36.20% in 2006 and 35.00% in 2005. Prior to 2003, NRW was in the range of 50%-52%.

The latest bacteriological and chemical/physical examination conducted by the Batangas Water District Laboratory indicates that all of CWWC's water sources conform with the Philippine National Standards for Drinking Water.

The National Water Resources Board approved CWWC's petition to charge higher rates in December 2006 and was implemented in February 2007. The present rates are now as follows:

Consumption Bracket	Water Rates	
	Old	New
<i>. Residential</i>		
0 to 10 cu.m.	130.00 minimum	156.00 minimum
11 to 20 cu.m.	13.75 per cu.m.	16.60 per cu.m.
21 to 30 cu.m.	14.75 per cu.m.	17.60 per cu.m.
31 to 40 cu.m.	16.25 per cu.m.	19.60 per cu.m.
41 to 50 cu.m.	18.00 per cu.m.	22.60 per cu.m.
Over 50 cu.m.		26.60 per cu.m.
<i>. Commercial</i>		
0 to 10 cu.m. / 0 to 25 cu.m.	160.00 minimum	780.00 minimum
11 to 20 cu.m. / 26 to 1,000 cu.m.	17.00 per cu.m.	39.20 per cu.m.
21 to 30 cu.m.	18.25 per cu.m.	
31 to 40 cu.m.	20.00 per cu.m.	
Over 40 cu.m. / Over 1,000 cu.m.	22.75 per cu.m.	53.20 per cu.m.

Calapan Water has an ongoing rehabilitation, expansion and improvement plan of its waterworks system in Calapan City, Oriental Mindoro. The purpose of the plan is to bolster water pressure, improve water quality, and to increase production so as to accommodate more subscribers. The scope, timing and extent of the works done varies depending on management's discretion as to the economic viability of each component of the overall plan at a definite point in time.

Originally estimated to cost approximately ₱187 million, the plan is now projected to cost ₱218.5 million to complete due to increases in the cost of materials. At end-2007, total completion is estimated at 27%.

On December 4, 2007, CWWC received ₱30,791,210.88 representing its initial drawdown on its ₱137million loan facility for the above-mentioned plan.

Last October 1, 2006, Calapan Water formally took over the operation of the water system of the Municipality of Tabuk, the capital of Kalinga province. Our role is to operate and maintain the water system for a period of 15 years. The system remains the property of the local government. We now serve about 2,000 subscribers but the system can accommodate about 3,600 subscribers. In the near future we expect this operation to contribute positively to the Group's profitability.

The two tables immediately following show the historical revenue contribution by subsidiary and by product lines to the consolidated revenues of the Company.

<i>Rev. Contribution by Subsidiary</i>	<i>2007</i>		<i>2006</i>		<i>2005</i>	
JOH (parent only)	₱23,818,149	22%	₱21,681,680	28%	₱31,747,663	38%
UCMC	14,736,252	14%	8,706,423	11%	9,690,298	12%
ORDC**	21,725,379	21%	19,737,771	26%	18,656,583	22%
Calapan Water	45,001,612	43%	27,176,923	35%	22,893,573	28%
JGMI**	172,659	--	153,619	--	138,099	--

Rev. Contribution by Subsidiary	2007		2006		2005	
OHC	874	--	681	--	873	--
JLRC	2,554	--	3,857	--	3,508	--
TOTALS	₱105,457,479	100%	₱77,460,954	100%	₱83,130,597	100%

NOTE: ** These figures differ from the figures shown in the audited financials of ORDC and JGMI as stand-alone entities which include revenues from related parties as disclosed in the Notes to their individual audited financials. In the process of consolidation, rentals received by ORDC from JOH, UCMC, JGMI and CWWC of ₱6,000,000 in 2007, from JOH and UCMC of ₱6,000,000 in 2006 and ₱4,000,000 in 2005; and management fees received by JGMI from ORDC and Calapan Water of ₱9,816,869 in 2007, ₱4,415,982 in 2006, and ₱4,087,992 in 2005 were eliminated.

Rev. Contribution By Product Lines	2007		2006		2005	
Rental Income	₱45,567,024	43%	₱41,478,479	54%	₱41,488,125	50%
Water Services	44,341,276	42%	27,036,760	35%	22,885,228	27%
Management Consultancy Fees	14,725,088	14%	8,700,000	11%	9,675,000	12%
Other Income	100	-%	2,828	-%	8,986,111	11%
Interest Income	823,991	1%	242,887	-%	96,133	-%
TOTALS	₱105,457,479	100%	₱77,460,954	100%	₱83,130,597	100%

The Company carries out most of its business activities (except the waterworks business where it has no direct competition in its service area) in a competitive environment and competes in terms of market reach, diversity and quality of products, customer relations, and pricing, among others. Heightened competition could negatively affect the Company's operational results.

In the leasing business, it competes with a number of financial services institutions, both domestic and international. Among these, the more notable ones would be the likes of Equitable PCI Leasing and Finance, Inc., ORIX Metro Leasing and Finance Corp., IFC Leasing and Finance Corp., and BPI Leasing. While these companies offer their leasing lines to the general public, none of them have concentrated and specialized on servicing the particular market niche of the Company, the KTV operators. The long-established relationship of the Company with its KTV clients in the renting out of facilities, furnishings and equipment puts it at some advantage vis-à-vis its competitors. This competitive advantage is further strengthened by the management services and consultancy contracts of the Company with its KTV clients.

The Company's primary competitors in the management services industry are Accenture, the management services units of the other major independent accountancy firms, and a sprinkling of independent management consultancy firms. However, the Company considers as its competitive advantage, its long-time relationship with its clients as well as the fact that it has multi-faceted business relationship with them (it also rents out to the same clients furnishing, fixtures, furniture and equipment for their KTV operations). The management services line is highly dependent on the continuing renewals of its contracts with its clients. The Company is confident though that, for as long as the KTV operations of its clients are viable and profitable, it will continue to service the specialized management consultancy needs of these clients.

Land banking and property development is a highly competitive industry. The major industry and sector leaders of this industry include the SM Group and Robinsons Land that are more focused on retail mall development, Ayala Land that is involved in residential, commercial, high rise, and industrial development, Sta. Lucia Realty which is into residential, commercial and leisure/resort development, Filinvest Land which is into central business district development,

Megaworld and Empire East Land which are into both horizontal (subdivision & townhouses) and vertical (condominium) residential and commercial development.

In the leisure and resort development businesses, JOH, realizing that it is a newcomer in these fields, adopts a strategy of “product and market niching”. It enters into strategic alliances with more seasoned partners as in the case of the Eagle Ridge Microtel hotel project.

The Group does not plan nor propose going into other types of businesses or offer any new service.

The Company is very much dependent on its being able to have continuing business with its existing clients and customers. HB Services Corporation and Show Syndicate Corporation, in particular, contribute 31 and 16% of total leasing and management fees combined, respectively. The Company has had a long-time relationship with these clients and does not foresee losing any of them.

There has been no new significant customer and the Company does not spend material amounts for business development activities or to research new products or services.

Since the Company and its subsidiaries are largely involved in the service industries, its product lines and services are non-pollutive and need no special government approvals. Its only product/service line needing special government approval is its waterworks business through Calapan Water.

Calapan Water owns and operates exclusively the local waterworks system of Calapan City by virtue of its legislative franchise under Republic Act No. 9185 which expires on Feb. 9, 2028 and a Certificate of Public Convenience issued by the National Water Resources Board (“NWRB”) which expires on Jan. 17, 2013.

The franchise shall be deemed by the fact itself revoked in the event Calapan Water fails to implement fully its medium-term development plan submitted to Congress in support of its application for the franchise. Said plan is discussed in depth in JOH’s prospectus relating to its initial public offering of June 2002.

Tariff rates are subject to regulation by the NWRB. All tariff increases should be approved by the NWRB before implementation. A Water Permit should also be secured from the NWRB prior to the operation of new sources of water (wells).

The Group at present employs 126 full-time employees broken down as follows: 9 Executive, 9 Administrative, 9 Managerial, 12 Supervisory, 50 Operations and 37 Clerical. No major addition or reduction from the present manpower is anticipated for the ensuing twelve months. There are no collective bargaining agreements in the Group.

Item 2. Properties

The Company’s real properties, owned directly and indirectly, through its consolidated subsidiaries, are summarized in the following table. These properties are covered with the titles (TCTs and CCTs) in the name of the Company itself or its subsidiaries, except for the one (1) unit of 2-BR residential condo at the Nobel Plaza that is still under a Sale Contract.

Type/Location	Area (sq.m.)	Nature of Property
LAND IN METRO MANILA:		
Quezon Ave. Q.C.	757.65	Commercial (on lease out)
Quezon Ave. Q.C.	757.65	Commercial (on lease out)
Diliman, Q.C.	473.30	Residential
Malate, Manila	281.60	Commercial
PROVINCIAL LAND:		
Brgy Bayanan, Calapan City	3,203.00	Industrial
“ “	20,000.00	Industrial
Brgy Calero, Calapan City	574.00	Institutional/Commercial
“ “	812.00	Institutional/Commercial
Pulong Gitna, Calapan City	60,496.00	Nature reserve island/agric.
Pulong Malaki, Calapan City	6,666.00	Nature reserve island/agric.
“ “	6,874.00	“
“ “	6,874.00	“
“ “	33,865.00	Nature reserve island/agric.
“ “	7,481.00	“
“ “	39,273.00	“
Puerto Galera, Or. Mindoro	16,393.00	Agric./Commercial
“ “	4,814.00	“
“ “	61,920.00	“
“ “	6,185.00	Commercial
“ “	47,911.00	Agri./commercial
Brgy Tawiran, Calapan City	301.00	Well site
“ “	500.00	“
Brgy Sta Maria, “	377.00	“
Brgy Pachoca, “	210.00	“
Brgy Lalud, “	200.00	Well site/residential
Brgy Pachoca “	182.00	Well site
Brgy Ilaya “	205.00	“
“ “	286.00	“
Brgy Sta. Isabel “	2,090.00	Commercial
Brgy Sta. Isabel “	1,237.00	“
BUILDING:		
Heartbeat Bldg, Quezon Ave.	3,200.00	Commercial structure
Prince Plaza, West Ave.	1,250.00	“

Type/Location	Area (sq.m.)	Nature of Property
CONDOMINIUM UNITS:		
Goldland Tower, Greenhills		
3-BR Unit	160.45	Residential Condo
Parking Slot	12.50	Owner's parking slot
Chateau de Baie, Roxas, Pñique		
2-BR Unit	157.02	Residential Condo
Parking Slot	12.50	Owner's parking slot
3-BR Unit	185.57	Residential Condo
Parking Slot	12.50	Owner's parking slot
Maple Tower, Binondo, Mla		
3-BR Unit	96.00	Residential Condo
Parking Slot	12.50	Owner's parking slot
Nobel Plaza, Valero St., Makati		
2-BR Unit	110.00	Residential Condo
Lansbergh Place, T. Morato, Q.C.		
4 th Floor Commercial Space	922.00	Commercial (office use)
15 Parking Slots	187.50	Parking slots

There are no significant property acquisitions intended for the ensuing year.

Item 3. Legal Proceedings

1. JGMI and Show Syndicate Corp. vs. Felicito a.k.a. Chito D. Garcia, doing business under the name and style Foxchit Software Solution; Civil Case No. 01101977

Pending Recommendation of RTC Br. 10, Manila due to the non-appearance of Mr. Garcia, the counsel of Mr. Garcia filed a Motion for Bills of Particular, but the judge asked them to answer why said motion should be granted.

On October 20, 2005, an Order was issued denying the defendant's motion to drop Show Syndicate Corp. as party plaintiff in this case.

After the marking of evidence the court set the case for its full blown litigation that started on March 8, 2007, with scheduled hearing every month until December 2007.

Testimonies of Mr. Ray Anthony Ong and Ms. Belinda de Claro were accepted and heard by the Honorable Court. Direct and cross examinations were concluded and we are about to rest our case after presentation of last witness. Next scheduled hearings are June 11 and 25, 2008.

2. Jolliville Holdings Corporation vs. Philippine British Assurance Co., Inc.; Civil Case No. 04-1051, Regional Trial Court, National Capital Judicial Region, Branch 143, Makati City

On September 10, 2004, Jolliville Holdings Corporation (JOH) filed a Complaint (with Application for the Issuance of a Writ of Preliminary Attachment) with the Regional Trial Court of Makati City. The Complaint sought the recovery of JOH's outstanding insurance claims against defendants Philippine British Assurance Co., Inc. (PBAC) amounting to at least Thirty Four Million Eight Hundred Sixty Thousand Seven Hundred Forty One and 41/100 Pesos (P 34,860,741.41) exclusive of interest. In addition, JOH prayed for the payment of Two Million Pesos (P2,000,000.00) by way of exemplary damages and One Million Pesos (P1,000,000.00)

as attorney's fees and litigation expenses. Prior to the filing of the said Complaint, several attempts were made on defendant to collect JOH's insurance claims. JOH's claims were flatly ignored which compelled it to institute the said action and to pray for the issuance of the Writ of Preliminary Attachment on account of defendant's fraudulent conduct.

On April 6, 2005, the trial court issued an Order denying the Corporation's application for the issuance of the Writ of Preliminary Attachment for lack of sufficient merit. The Order likewise set the pre-trial conference of the instant case on May 12, 2005.

The pre-trial conference concluded on February 28, 2006 after the parties agreed on the legal issues. The initial presentation of the Corporation's witnesses is set on April 20, 2006.

The case is on its full blown litigation wherein our witness, Architect Roger Ong, had been presented in the direct, cross and re-direct examination. The direct examination of our next witness Mr. Robert Sia has concluded and the continuation of his cross examination is scheduled for June 11, 2008.

3. Ormina Realty & Development Corp. vs. 24K Property Ventures Inc.; Case No. 05-1575 (Fiscal Torralba) and Case No. 05-1576 (Fiscal Tobia)

On February 11, 2005, two (2) separate Complaint-Affidavits were filed by Ormina Realty & Development Corp. (ORDC) through its counsel against 24K Property Ventures Inc. (24K), involving the issue of inability of 24K to deliver the deficit three (3) parking slots to ORDC, despite continuous payment of the installments; and regarding the payment of real property taxes for years 2001 to 2004.

The two cases were consolidated to Fiscal Hector Buenaluz, Jr. and now merely needs the imprimatur of the City Prosecutor so that a case for violation of Presidential Decree 957, "The Subdivision and Condominium Buyers' Protective Decree", be filed in Court.

On December 29, 2005 a Resolution was issued by the Honorable Asst. City Prosecutor Hector Buenaluz, Jr. the dispositive portion:

"WHEREFORE, above premises considered, it is respectfully recommended that the above complaints for ESTAFA be dismissed.

HOWEVER, it is respectfully recommended that respondent be charged under Sec. 26 in relation to 39 of the P.D. 957 and that the attached information be approved."

With that, the counsel for Ormina filed a Petition for Review with the Department of Justice (DOJ) in relation to the dismissal of the Estafa case. We are still awaiting for the resolution by the DOJ.

However, in relation to the violation of PD 957, the case was docketed as Criminal Case No. Q-06-1401700 before the RTC-QC Branch 219 and was scheduled for arraignment. On motion by 24K, Honorable Judge Bayani Vargas ordered the reinvestigation of the case by Asst. City Prosecutor Jennifer Cabanban-Ong, which suspended the arraignment pending resolution. Asst. City Prosecutor Cabanban-Ong issued a Resolution dated 21 January 2008 stating that the case is respectfully referred back to the Honorable Court for arraignment and further proceedings.

In relation above, 24K filed a Petition for Review with the DOJ, and a Motion for Deferment of Proceedings with the Honorable Court. Said Petitions and Motions are still pending order by the respective bodies.

The Group and any of its properties are not involved in any legal proceedings aside from those mentioned above. It is neither aware of any instituted against its incumbent directors or executive officers.

Item 4. Submission of Matters to a Vote of Security Holders

NOT APPLICABLE

Item 5. Business Risk

Business risk is defined as threats to the organization's capability to achieve its objectives and execute its business strategies successfully. The organization's value creation objectives define the context for management's determination of risk management goals and objectives which, in turn, drive and focus the process of managing business risk.

The major risks facing the Group's businesses are briefly described below. Since the Group caters to a niche market (KTV operators) for its leasing and management services businesses, our risk sourcing is ultimately tied-in to the risks facing our clients.

Economic Circumstances

Economic circumstances are the characteristics and condition of the general business within which commerce is conducted. Due to the difficult business climate and reduced business activity, companies have become prudent spenders and are continuously trying to identify expenditures it could reduce or completely do without. One of the areas most affected are its budgets for leisure and recreation.

Human Caused Disasters

Human caused disasters pertain to major events that cause significant damage, destruction, and/or human casualties arising from human caused events such as acts of terrorism. Peace and order remains a concern and densely populated establishments such as malls, entertainment centers, cinemas and the like are the most likely targets. As a result, people tend to avoid these places.

Government Activities

Government activities are the functions undertaken to operate a political unit, including adopting and enforcing laws and regulations, supplying goods and services, and contracting for goods and services from private businesses. Calapan Water is moderately regulated and the actions of government agencies such as the NWRB hold with respect to rate increases and the operation of new water sources.

Human Behavior

Human behavior is defined as a broad range of positive and negative human activity that may affect a business' ability to reach its goals. The habits of consumers with regard to water usage and spending for leisure and entertainment may adversely affect the Group's businesses.

Through an integrated business risk management process, senior management determines how much risk they are willing to accept when balancing risks and rewards, and allocating resources. They communicate to operating managers, risk managers and process/activity owners the level of acceptable risk.

Our business risk management is a continuous process of:

- **Establishing** risk management objectives, tolerances and limits for all of the Group's significant risks
- **Assessing** risks within the context of established tolerances
- **Developing** cost-effective risk management strategies and processes consistent with the overall goals and objectives
- **Implementing** risk management processes
- **Monitoring** and reporting upon the performance of risk management processes
- **Improving** risk management processes continuously
- **Ensuring** adequate communication and information for decision making

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 6. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

JOH only has unclassified common shares that is traded at the Philippine Stock Exchange ("PSE").

The high and low sales prices for each quarter is presented below:

Quarter	High	Low
1 st quarter 2008	1.88	1.02
4 th quarter 2007	2.32	1.06
3 rd quarter 2007	5.90	1.50
2 nd quarter 2007	2.70	1.50
1 st quarter 2007	1.60	0.61

Last transaction date was on March 10, 2008 at ₱1.50 per share. The Company's stock was inactive from said date onwards.

The market capitalization of JOH as of March 31, 2008 based on the closing price on March 10, 2008 of ₱1.50 per share is ₱422,250,000.

As of December 31, 2007, JOH's market capitalization stood at ₱506,700,000 based on the closing price of ₱1.80 on December 27, 2007.

(2) Holders

As of March 31, 2008, the Company has 103 stockholders. The top 20 stockholders are:

Shareholder	Shares Held	Percentage
Elgeete Holdings, Inc.	147,187,739	52.29
IGC Securities Inc.	29,294,000	10.41
Smart Focus International Ltd.	25,000,000	8.88
Regent Vantage International Ltd.	15,000,000	5.33
Myron Ventures Corporation	6,000,000	2.13
See, Rodolfo Lim	5,994,000	2.13
Lycaon Corporation	5,209,500	1.85
Olympic Sporting Corporation	5,000,000	1.78
Febra Resources Corporation	4,642,438	1.65
A-Net Resources Corporation	4,642,438	1.65
Kenly Resources Corporation	4,642,438	1.65
Oltru Holdings Corporation	4,642,438	1.65
Bingo Gaming Corporation	4,000,000	1.42
Gan Chua, Wilfredo K.	3,170,000	1.13
Abacus Securities Corporation	1,257,000	0.45
Ting, Catalina O.	1,076,000	0.38
Phyvita Enterprises Corporation	1,047,200	0.37
Ting, Ortrud	1,000,001	0.36
Ting, Jolly	959,999	0.34
Goldstar Securities, Inc.	900,000	0.32

Ultimate beneficial owners under securities brokers not included.

(3) Dividends

There were no dividends declared for the periods involved. There are no restrictions that limit the payment of dividends at present or in the future.

(4) Recent Sales of Unregistered or Exempt Securities, including recent issuance of Securities constituting an exempt transaction

NONE

Item 7. Management's Discussion and Analysis

The information herein should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements and related notes thereto contained in this Report.

Results of Operations

In 2006 and 2005, rentals remained unchanged as the number of clients and the rates have been constant. However, management fees decreased by 10% in 2006 as the new client acquired in 2005 that had a revenue-based rate experienced a decline in its revenues.

For 2007, the Company's leasing and management service businesses showed an increase of 9.86% and 69.25%, respectively, as the Company was able to negotiate a substantial increase in rates effective from the start of 2007. In the case of management fees, the client paying on

the basis of its gross revenues showed marked improvement and this contributed significantly to our portfolio. Our clients' businesses have shown marked improvement from the country's ever-improving economic conditions and our patience has been rewarded with the increased rates and their increased revenues. We have finally begun to feel the favorable effects of the present business macro-environment.

Water services grew by 16% in 2006 as another new well, no. 10, was commissioned in January 2006, thereby increasing billed volume both for existing and new customers. At end-2006 Calapan Water already has 5,842 customers as against 5,011 at end-2005.

Calapan Water recorded all-time high revenues of ₱43,043,115 in 2007, an increase of 73.30% from the previous year's ₱24,837,270. This could be attributed to additional billed volume from the continued increase in CWWC's subscriber base which now stands at 6,173 at year's end. The increase in rates implemented in February 2007 also contributed greatly to CWWC's revenues.

The sale of plumbing and scrap materials comes from Calapan Water's new service connections. The fluctuation in this account can be tied-in to the increase in the average no. of subscribers on a year-to-year basis. CWWC's average no. of subscribers increased from 4,283 in 2004 to 4,654 in 2005; to 5,404 in 2006; and finally to 6,071 in 2007. In absolute amounts, this account increased by 56% to ₱2,202,318 in 2006 from ₱1,409,509 in 2005, and decreased by 41% from 2006 to only ₱1,298,161 in 2007.

Management has been able to keep costs and expenses at more or less the same levels as cost-saving measures continue to be adopted.

For 2006, cost of services had increased by ₱4.18 million (10%) mainly brought about by the additional operational costs of the new well, no. 10 and the ever-increasing costs of power, specifically electricity rates, which is tied-in with the increase in world crude prices since most of the country's power plants use diesel fuel. Meanwhile, we were able to reduce operating expenses by ₱2.09 million (7%) as transportation and travel costs for Calapan Water were reduced as alternative modes of communication such as internet and cellular phones were employed thereby reducing the need for frequent travel to the head office. Also, there was no loss on impairment in value of available-for-sale investments in 2006 whereas a loss of ₱ 3,502,843 was charged to operations in 2005.

The lower depreciation charges in 2007 included in the cost of services offsets inevitable increases in compensation, power costs and repairs and maintenance charges. Thus, cost of services only increased by a meager 1.38% or ₱635,617 in absolute amounts. A significant portion of leased-out properties is already fully depreciated, resulting in lower depreciation charges.

The management and operation of the water system in Tabuk, Kalinga has caused operating expenses to grow to ₱30.8 million in 2007. An increase of 18.46% from 2006's ₱26.0 million. This is most felt in the increases in: (1) rent by about ₱1.5 million, representing mostly the lease fee paid to the local government of Tabuk, which retains ownership of the system; (2) transportation and travel by about ₱3.7 million, as frequent trips by top management personnel from the head office to Tabuk was necessary since the operation is still in its initial stages; and (3) representation and security services from maintaining an office in Tabuk. Other than increase in expenses caused by Tabuk, there were also increases in franchise tax payments as a consequence of increased water revenues, and one-time charges to lawyers for work outside the scope of retainer agreements.

Amortization of deferred interest is from ORDC's payable on properties acquired. The decrease by ₱403,245 (37%) in 2007 and by ₱142,755 (11%) in 2006 is attributable to the decrease in the principal balance of the liability from the payments made during the respective years.

Net other income comprises of the gain on investment property valuation from its adjustment to fair value. As of the latest appraisal on certain properties in 2005, a gain of ₱8,965,427 was recognized directly in the statements of income. No gain was recognized in 2006 as values at end-2006 as against 2005 remain unchanged. In 2007, an adjustment of ₱13,830,861 was recognized based on the latest appraisal made by Crown Property Appraisal Corporation during the year.

For 2006, despite the higher profit before income tax (not considering the gain on investment property valuation), the current income tax expense decreased by ₱661,903 (39%) as Calapan Water was able to utilize its net operating loss carryover from 2003. Meanwhile, the deferred portion showed a tax benefit of ₱784 thousand or an increase of ₱7.6 million (112%) from the prior year's expense. This represents mainly the reversal of the tax effect of the revaluation increment derecognized on JOH's property transferred to Calapan Water as payment for additional stock subscriptions.

In 2007, the current provision for income tax increased by 637.65% as a result of stronger operating results on the subsidiary level. The deferred portion also increased by 917.75% from the recognition of the deferred tax liability on the gain on investment property valuation, net of application of the NOLCO and MCIT.

Minority interest represents minority stockholders' share in the net income or loss of Calapan Water. The fluctuation in this account is directly tied-in to the discussion on water revenues.

Financial Position

The Company's asset base improved considerably from ₱606,260,114 as of December 31, 2006 to ₱661,982,909 at end-2007. The increase can be attributed to the following: (1) increases in cash (including a ₱9 million special bank deposit classified under Other current assets used to secure a bank guarantee for the same amount in favor of the Local Government of Tabuk, Kalinga related to the management and operation of its water system) and receivables brought about by improved operating results; (2) adjustment to fair values of the Group's investment property; and (3) property additions related to CWWC's project for the rehabilitation, expansion and improvement of its water system in Calapan City.

The increase in receivables by about ₱7.0 million (26.87%) to ₱29.9 million at year-end can be attributed to the increase in revenues and timing differences as payments by customers were received the following month as against the usual practice of collecting them in advance. Also, there was an advance payment to CWWC's contractor for its water system projects of ₱3.2 million.

Other current assets increased by 60.52% from ₱11,234,060 as of December 31, 2006 to ₱18,093,455 at year-end. The increase represents mainly the special bank deposit of ₱9 million related to the operation of the Tabuk Water System mentioned earlier, net of the application of prepaid taxes against the normal income tax liability. In previous years, the Group had accumulated the taxes withheld by customers, as there was no normal income tax liability to apply these. This year, due to the considerably improved operating results, a portion of these accumulated tax credits were applied, as the taxes withheld on current collections were adequate.

The increase in the investment property account by ₱14.7 million from ₱360,133,007 as of December 31, 2006 to ₱374,787,272 at December 31, 2007 is basically the adjustment to fair value of ₱13,830,861 based on the latest appraisal done in 2007 by Crown Property Appraisal Corporation.

Additions of ₱29 million, majority of which pertains to the water utilities and distribution system related to the rehabilitation, expansion and improvement of the water system in Calapan City, net of periodic depreciation, caused property and equipment to increase from ₱138,455,450 as of December 31, 2006 to ₱146,803,266, an increase of ₱8,347,816 or 6.03%.

Deferred tax assets were reduced by 29.65% or ₱1.6 million to only ₱3.7 million at year-end as those timing differences pertaining to NOLCO & MCIT were applied against normal income tax resulting from significantly improved operating results.

Other noncurrent assets decreased by 5.6% from ₱40.7 million in 2006 as deposits related to CWWC's projects were applied during the year.

Accounts payable and accrued expenses decreased from ₱28.5 million to ₱20.6 million (27.74%). Subsequent to the drawing on its loan facility with DBP, CWWC paid off its obligations to its creditors and contractor for its Calapan City water system development projects. In fact, CWWC already made advance payments to its contractor as mentioned above. This is the primary reason for the decrease as a significant portion of this account relates to CWWC.

Due to related parties increased from ₱21,124,015 to ₱26,338,785, an increase of ₱5.2 million or 24.69%. This substantially pertains to the advances from stockholders used to settle the Company's loan with Robinsons Savings Bank in 2006. These advances have no definite call dates and do not bear interest.

Despite improved operating results across the board, the income tax payable account decreased by 100% at year-end. This is because the Group has excess creditable withholding taxes and MCIT that could be applied against the normal income tax liability.

The loan payable of ₱30,791,211 pertains to CWWC's loan with DBP drawn last December 2007. Please refer to Note 10 of the consolidated financial statements for the pertinent details.

As a result of the adjustment to fair values of the Group's investment properties, the tax consequences were credited to the deferred tax liability account causing the increase of ₱4.8 million or 13.31%. The balance at year-end stood at ₱41,210,161.

Customers' deposits increased by 7.70% from ₱8,107,415 as of end-2006 to ₱8,731,605 at end-2007 resulting in the increase in the subscriber base of Calapan Water.

The decrease of ₱3,200,217 (23.15%) in the payable to property owners account is merely the periodic payments for the year. The account has an outstanding balance of ₱10,624,056 at year-end.

Minority interest pertains to CWWC. This represents the share of its minority shareholders in the net assets of said subsidiary. The change in this account is tied-in to the minority shareholders' participation in the net income of Calapan Water for the year.

Key Performance Indicators

Profitability

Return on total assets (ROA)	=	$\frac{\{ni + [interest\ exp \times (1 - tax\ rate)]\}}{average\ total\ assets}$	$\frac{25,532,648}{634,121,512}$	0.0403	$\frac{3,088,186}{612,181,476}$	0.0050
- measures how well assets have been employed by management						
Return on equity (ROE)	=	$\frac{net\ income}{average\ stockholders'\ equity}$	$\frac{25,532,648}{483,534,049}$	0.0528	$\frac{3,088,186}{468,793,443}$	0.0066
- when compared to the ROA, measures the extent to which financial leverage is working for or against shareholders						
Water revenue per subscriber	=	$\frac{water\ revenues}{average\ no.\ of\ water\ subscribers}$	$\frac{43,043,115}{6,071}$	7,090	$\frac{24,837,270}{5,404}$	4,596
- measures how well service and facilities improvements have influenced consumer's usage						

Financial leverage

Debt ratio	=	$\frac{total\ liabilities}{total\ assets}$	$\frac{138,272,487}{661,982,909}$	0.2089	$\frac{107,912,175}{606,200,556}$	0.1780
- measures the share of company's liabilities to total assets						
Liabilities to equity	=	$\frac{total\ liabilities}{stockholders'\ equity}$	$\frac{138,272,487}{496,000,342}$	0.2788	$\frac{107,912,175}{471,310,536}$	0.2290
- measures the amount of assets being provided by creditors for each peso of assets being provided by the stockholders						

Market valuation

Market to book ratio	=	$\frac{market\ value\ per\ share}{book\ value\ per\ share}$	$\frac{1.80}{1.76}$	1.02	$\frac{1.02}{1.67}$	0.61
- relates the Company's stock price to its book value per share						

The reason for the dramatic increase in the Group's profitability is discussed in the results of operations. From the point of view of its water business, which the Group considers to be its major growth driver, water revenues has shown steady improvement, more so in 2007 as increased water rates took effect, and is expected to improve even further in the succeeding years as the Company already has in line the addition of new wells and expansion of its coverage area.

The major acquisition in 2003 of the Prince Plaza property has caused the Company's financial leverage ratios in the past to increase as this was financed through borrowings. The obligation from said acquisition was fully paid in 2006 from the collection of dues from and new borrowings from stockholders. As a result, the related ratios had decreased in 2006. In 2007, however, the ratios again increased as CWWC drew on its loan facility with DBP to finance its development projects for its water system in Calapan City.

Following the positive developments in the local stock market, activity in the Company's stock has picked up recently and the prices have been indicative of its true value.

Liquidity and Solvency

The Company's cash balance increased from end-2006 of ₱21.0 million to ₱43.8 million at December 31, 2007. For the year, the Group's borrowings were sufficient to finance its investment and development activities. Thus, cash from operations remained in the Company's coffers. In prior years, cash from operations was used for the payment of the Group's outstanding loans. Meanwhile, liability to equity ratios went up to 0.2788x from 0.2290x as of end-2006 from new borrowings specifically that of Calapan Water.

Item 8. Financial Statements

Please refer to the attached consolidated financial statements audited by Constantino Guadalquiver & Co. (CGCo).

Item 9. Information on Independent Accountant and Other Related Matters

CGCo, independent certified public accountants, audited the Company's consolidated financial statements without qualification as of and for the years ended December 31, 2007, 2006, and 2005, included in this report.

Edwin F. Ramos is the current audit partner for the Company and its subsidiaries. Pursuant to SEC Memorandum Circular No. 8, Series of 2003, the Company will either change its External Auditor or rotate the engagement partner every five (5) years.

There have been no disagreements between the Company and CGCo over the length of their relationship with regard to any matter involving accounting principles or practices, financial statement disclosures, and auditing scope and procedures.

CGCo has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. CGCo will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants, or rights thereto). The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

In connection with the audit of the Company's financial statements, the Audit Committee had, among other activities, (a) evaluated significant issues reported by the external auditor in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (b) ensured that no other work is provided by the external auditor that would impair its independence and conflict with its function as independent accountants; and (c) ensured the compliance of the Company with acceptable auditing and accounting standards and regulations.

The aggregate fees paid to CGCo for services rendered are ₱430,000 each in 2007 and 2006. The services are those normally provided by the external auditor in connection with statutory and regulatory filings or engagements. There had been no consulting or tax engagements with CGCo.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Issuer

Presently, the Directors and Senior Officers of the Company are:

Jolly L. Ting, 62, Filipino, is the founder of the Company. Currently, he is Chairman of the Board of Directors and it's Chief Executive Officer, posts he has held since April 3, 1999. He is also concurrent Chairman of Jolliville Group Management, Inc., Ormina Realty and Development Corporation, Uptrend Concepts Management Corporation, Jolliville Leisure and Resort Corporation and Calapan Waterworks System and Development Corporation, all subsidiaries. Moreover, he is a director and stockholder of Mirage Ventures Corp., a company that manages the famous Gloria Maris Sharks Fin Restaurant and Dimsum chains.

Mr. Ting is an active Rotarian and a past president of the Rotary Club of the University Belt District in Manila. He is a business administration graduate of the University of the East.

After about twenty years of operating KTVs, Mr. Ting divested his business interests in the former to concentrate in the business of the Company and its subsidiaries namely property leasing and management consulting services.

Nanette T. Ongcarranceja, 34, Filipino, is a Director and President of the Company beginning September 15, 2004. Previously, she was Vice President of the Company (July 2001 to September 2004), Secretary/Treasurer (April 1999 to July 2001), and Assistant Secretary (March-April 1999). She is also the President of several subsidiaries namely Jolliville Group Management, Inc., Jollideal Marketing Corporation and Ormin Holdings Corporation. She is also the Creative Head of the Executive Management Support Group of the Jolliville Group of Companies. A graphics designer by profession, she finished two years of Fine Arts Advertising Studies at the College of the Holy Spirit and pursued advanced courses at Columbia College, Vancouver Community College and Kwantlen University College.

Ortrud T. Yao, 30, Filipino, is the Secretary/Treasurer of the Company and its Chief Financial Officer, positions she first assumed on July 20, 2001. She is also the Chief Compliance Officer. She is President of Oltru Holdings Corp., Vice President for A-Net Resources Corp., and Treasurer of Granville Ventures, Inc. Prior to joining the family business, Ms. Ting used to be a research analyst with the Leith Wheeler Investment Counsel of Vancouver, Canada. She is an honors graduate of the University of British Columbia with a degree in commerce, major in finance.

Lourdes G. Ting, 59, Filipino, has been a Director of the Company since its formation. Previously, she was Treasurer from 1986 to 1999 of the predecessor of the Company, Jolliville Realty and Development Company, Inc. When the Company was restructured as Jolliville Holdings Corporation in April 1999, she was elected its President and served as such until July 2001. At present, she is the President of Elgeete Holdings, Inc.; Vice President of Febra Resources Corp., Oltru Holdings Corp., and Kenly Resources, Inc.; and Secretary of A-Net

Resources Corp. -- all corporate shareholders of the Company. She obtained her degree in business administration from the Far Eastern University.

Dexter E. Quintana, 56, Filipino, is a Director of the Company since July 20, 2001. Mr. Quintana is a professional finance practitioner, having worked with a number of banks and financial institutions. He is President of First Property Ventures Inc., a realty development and commercial property leasing company, and Quintas Management Insurance Brokers, Inc., a company that engages in life and non-life underwriting. At the same time, he is Vice President/Director of AFC Capital Corporation, a company that provides lending, investment and non-life insurance services. Mr. Quintana is a 1978 MBA graduate of the U.P. Graduate School of Business. Mr. Quintana is an independent director of the Company.

Rodolfo L. See, 68, Filipino, is the Chairman and President of Gold Medal Food Manufacturing Corp. and Gold Prize Food Manufacturing Corp. since said companies were established in 1974 and 1980, respectively. He is the owner of International Food Snack Corp., established in 1982, which exports locally produced dried fruit products to different companies. He is also the owner of several gasoline stations.

Mr. See is a former governor of Lions Club International of District 301-D2. He was designated by the International Lions Club Foundation (Chicago) as project manager of Sight First, which credited his leadership for successfully operating on more than 30,000 under-privileged cataract patients for 5 years.

Mr. See is a graduate of Bachelor of Science in Business Administration from the Far Eastern University. He is an independent director of the Company.

Rolando H. Tuazon, 61, Filipino, is a Director of the Company since May 9, 2002. Mr. Tuazon is a professor at the Ateneo Professional Graduate School of Business and had various management-consulting engagements on business development, systems and strategic planning for productivity & quality improvement for medium and large-scale companies for the past 20 years. He has conducted management training & development programs for over 150 companies in 15 industries for several government agencies. Currently, he is also the Managing Director of Calapan Waterworks System and Development Corporation.

The Company's success and growth depends in no small measure to the continued service of its Founder, Chairman and Chief Executive Officer, Mr. Jolly Lim Ting. His vision and strategic plans have allowed the Company and the Group to grow to where it is now. While Mr. Ting continues to provide the strategic direction to the Group, he has put to work in the business his children as well as some professional managers to add depth to his management team. Mr. Ting is the closest there is to a significant employee in the Group. There are no other such persons.

Mr. Jolly L. Ting and Ms. Lourdes G. Ting are spouses. Ms. Ortrud T. Yao and Ms. Nanette T. Ongcarranceja are siblings and they are both children of Mr. and Mrs. Jolly L. Ting.

None of the members of the Board is involved in any legal proceeding, pending or otherwise, for the past 5 years and up to the date of this report.

Item 11. Executive Compensation

SUMMARY COMPENSATION TABLE

Annual Compensation

	(a)	(b)	(c)	(d)	(e)
	Name and Principal position	Year	Salary (P)	Bonus (P)	Others
A	Jolly L. Ting, Chairman & Chief Executive Officer				
B	Nanette T. Ongcarranceja, President				
C	Ortrud T. Yao, Sec/Treas & Chief Finance Officer				
D	Lourdes G. Ting, Director				
	TOTAL	2008*	2,113,553	176,129	
		2007	2,012,908	167,742	-
		2006	1,641,740	136,812	-
		2005	1,638,960	136,580	-
F	All other officers and directors as a group unnamed	2008*	3,073,688	256,140	
		2007	2,927,322	243,943	-
		2006	2,316,812	193,068	-
		2005	2,161,092	180,091	-

* estimated amounts

There are no existing arrangements/agreements in which said directors and officers are to be compensated during the last and ensuing year. Neither are there any employment contracts and termination of employment and change-in-control arrangements.

Item 12. Security Ownership of Certain Record and Beneficial Owners

The following table presents the record/beneficial owners who in person or as group own more than five percent (5%) of the issued and outstanding capital stock of the Company.

Title of Class	Name and Address of Record and relationship with Issuer	Beneficial Owner and relationship with record owner	Citizenship	Number of Shares	Percent of Record Owner
Common	Elgeete Holdings, Inc. (4/F 20 Lansbergh Place, 170 Tomas Morato Ave., cor. Sct. Castor St., Quezon City)	Ting Family	Filipino	147,187,739	52.29
Common	A-Net Resources Corp. (-ditto-)	- ditto -	Filipino	4,642,438	1.65
Common	Febra Resources Corp. (4/F 20 Lansbergh Place, 170 Tomas Morato Ave., cor. Sct. Castor St., Quezon City)	Ting Family	Filipino	4,642,438	1.65
Common	Kenly Resources, Inc. (-ditto-)	- ditto -	Filipino	4,642,438	1.65
Common	Oltru Holdings Corp. (-ditto-)	- ditto -	Filipino	4,642,438	1.65

<i>Title of Class</i>	<i>Name and Address of Record and relationship with Issuer</i>	<i>Beneficial Owner and relationship with record owner</i>	<i>Citizenship</i>	<i>Number of Shares</i>	<i>Percent of Record Owner</i>
Common	Jolly L. Ting (-ditto-)	- ditto -	Filipino	959,999	0.34
Common	Lourdes G. Ting (-ditto-)	- ditto -	Filipino	480,000	0.17
Common	Melody T. Lancaster (-ditto-)	- ditto -	Filipino	1	-
Common	Nanette T. Ongcarranceja (-ditto-)	- ditto -	Filipino	500,001	0.18
Common	Kenrick G. Ting (-ditto-)	- ditto -	Filipino	500,001	0.18
Common	Ortrud T. Yao (-ditto-)	- ditto -	Filipino	1,000,001	0.36
				169,197,494	60.11
Common	Smart Focus International Ltd. (11 th Floor, Dah Sing Life Bldg., 99 Des Voeux Road, Central, Hongkong)	Delcena Wheatley, Principal Incorporator	British Virgin Islands	25,000,000	8.88
Common	Regent Vantage International Ltd. (-ditto-)	- ditto -	British Virgin Islands	15,000,000	5.33
				40,000,000	14.21

The major shareholders of the Company, namely: Elgeete Holdings, Inc., Febra Resources Corp., A-Net Resources Corp., Kenly Resources, Inc., and Oltru Holdings Corp., are all private holding companies, substantially owned and controlled by members of the Ting Family, Filipinos. Mr. Jolly L. Ting holds 60% each of the shares held by these private holding companies. Mr. Jolly L. Ting exercises the voting power over the shares of Elgeete Holdings, while Mrs. Nanette T. Ongcarranceja exercises the voting power over the shares owned by Febra Resources, A-Net Resources, and Kenly Resources. For Oltru Holdings, Ms. Ortrud T. Yao exercises the voting power of its shares.

Delcena Wheatley, principal incorporator of Smart Focus International Ltd. and Regent Vantage International Ltd., is expected to direct the voting of the shares held by said companies.

Item 13. Security Ownership of Management

The shares owned of record or beneficially by the directors and each of the named executive officers previously named are as follows:

<i>Title of Class</i>	<i>Name of Beneficial Owner</i>	<i>Amount and Nature of Beneficial Ownership</i>	<i>Citizenship</i>	<i>Percent of Class</i>
Common	Jolly L. Ting	959,999 (direct)	Filipino	0.34
Common	Jolly L. Ting	99,454,495 (indirect)	Filipino	35.33
Common	Rodolfo L. See	5,994,000 (direct)	Filipino	2.13
Common	Lourdes G. Ting	480,000 (direct)	Filipino	0.17
Common	Lourdes G. Ting	53,173,284 (indirect)	Filipino	18.89

<i>Title of Class</i>	<i>Name of Beneficial Owner</i>	<i>Amount and Nature of Beneficial Ownership</i>	<i>Citizenship</i>	<i>Percent of Class</i>
Common	Nanette T. Ongcarranceja	500,001 (direct)	Filipino	0.18
Common	Nanette T. Ongcarranceja	3,282,428 (indirect)	Filipino	1.17
Common	Ortrud T. Yao	1,000,001 (direct)	Filipino	0.36
Common	Ortrud T. Yao	3,282,428 (indirect)	Filipino	1.17
Common	Rolando H. Tuazon	100,001 (direct)	Filipino	-
Common	Dexter E. Quintana	720,000 (direct)	Filipino	0.26

Directors and officers as a group hold a total of 168,946,637 shares equivalent to 60.02% of Jolliville Holdings Corporation's issued and outstanding capital stock.

Item 14. Certain Relationships and Related Transactions

The financial statements of the Company show that it has advances from its shareholders with an outstanding balance as of end-December 2007 of ₱26,338,785. The advances are related to the full payment of the Company's loans to Robinsons Savings Bank a portion of which was financed by the shareholders.

PART IV - CORPORATE GOVERNANCE

- (a) The Company has adopted the SEC's Corporate Governance Self-Rating Form as the basis for measuring the level of compliance with its Manual on Corporate Governance.

The 2007 Corporate Governance Scorecard for Publicly-Listed Companies undertaken by the Institute of Corporate Directors in collaboration with the SEC & PSE was accomplished. This tool was used to find out where the Company is in its corporate governance practices relative to the practices of others in the economy, in the region, as well as "globally-regarded" good practices. Based on the results of its assessment, the Company will gradually improve its corporate governance practices initially focusing on the areas where it scored a poor rating.

- (b) The Company has undertaken the measures below, among others, to fully comply with the adopted leading practices on good corporate governance:
- (b1) Appointment of Compliance Officer to monitor compliance with the Manual on Corporate Governance
 - (b2) Adoption of Code of Conduct and Decorum for all directors, officers and employees
 - (b3) Sworn Statement on compliance with policies on selective disclosure of material non-public information required annually from each director and officer
 - (b4) Sworn Statement on attendance of each director in Board Meetings for the year
 - (b5) Sworn Statement that the Company substantially adopted all the provisions of its Manual on Corporate Governance
 - (b6) Attendance in seminars on Corporate Governance – Last January 23, 2008 all directors with key officers and management personnel, attended a half-day seminar on Corporate Good Governance conducted by Philippine Institute of Certified Public Accountants

covering the topics: (1) Corporate Governance Overview; (2) The Practice of Directorship; and (3) Corporate Governance Scorecards

- (b7) Recorded minutes of the meetings of the Board of Directors and committees, i.e. Nomination, Audit, and Compensation and Remuneration
- (c) There are no known material deviations to the Company's Corporate Governance Manual.
- (d) The Company plans to continue adopting the SEC and other reputable organization's recommendations for improved corporate governance.

PART V - EXHIBITS AND SCHEDULES

Item 15. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

The only exhibit applicable is the "Subsidiaries of the Registrant". The required information has already been discussed in Part I, Item I of this Report.

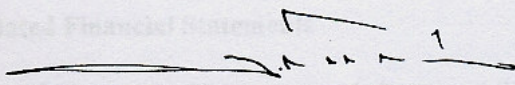
(b) Reports on SEC Form 17-C

<i>Date</i>	<i>Excerpts</i>
January 30, 2007	Certification on compliance with SEC Memorandum Circular No. 2 dated April 5, 2002 (Corporate Governance).
May 16, 2007	Resolution for the proposed increase in authorized capital from ₱1 billion consisting of 1 billion common shares with a par value of ₱1.00 to ₱1.3 billion consisting of 1 billion common shares with a par value of ₱1.00 and preferred shares of 300,000 shares with a par value of ₱1,000 per share.
June 27, 2007	(a) Amendment of resolution for proposed increase in authorized capital wherein an additional ₱200 million preferred shares was approved. (b) Minutes of Annual Stockholders' Meeting and results of election of Directors to serve under the Audit, Nomination and Compensation Committees.
December 14, 2007	CWWC drew on its loan facility with the Development Bank of the Philippines (DBP) in the amount of ₱30,791,210.88 . The loan facility is for up to ₱137 million or 74% of the project cost, whichever is lower, and is for the development of its water system in Calapan City.
December 27, 2007	(a) Certification on attendance in Board Meetings of each Director for calendar year ending December 31, 2007. (b) Disclosure on compliance with undertaking requiring all directors to attend a seminar on corporate governance conducted by a duly recognized institute.
January 11, 2008	Submission of accomplished Corporate Governance Scorecard

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Quezon City on March 19, 2008.

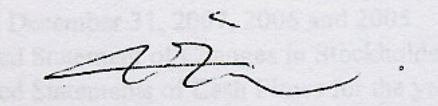
By:



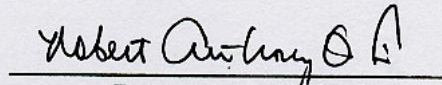
Jolly L. Ting
Chairman



Ortrud T. Yao
Chief Financial Officer &
Corporate Secretary



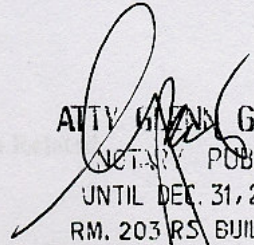
Nanette T. Ongcarranceja
President



Robert Anthony D. Sia
Principal Accounting Officer &
Comptroller

SUBSCRIBED AND SWORN to before me this APR 04 2008 day of 20 affiant(s) exhibiting to me their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Jolly L. Ting	07631251	January 8, 2008	Quezon City
Nanette T. Ongcarranceja	07631254	January 8, 2008	Quezon City
Ortrud T. Yao	07631253	January 8, 2008	Quezon City
Robert Anthony D. Sia	07631267	January 8, 2008	Quezon City


ATTY. MINNIE G. HADO
 NOTARY PUBLIC
 UNTIL DEC. 31, 2009
 RM. 203 RS. BUILDING
 1190 PABLO OCAMPO EXTENSION
 MAKATI CITY
 PTR No. 0993239/1-8-08/ MKT I
 IBP No. 735462/1-9-08/ MLA IV
 ROLL No. 43207

DOC. NO. 191
 PAGE NO. 39
 BOOK NO. 1
 SERIES OF 2008

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FORM 17-A, Item 7

December 31, 2007

For the Year Ended December 31, 2007

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* *These schedules, which are required by SRC Rule 68, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or the notes to consolidated financial statements.*



JOLLIVILLE HOLDINGS CORPORATION

March 19, 2008

Securities and Exchange Commission
SEC Building
Mandaluyong City

The management of Jolliville Holdings Corporation and Subsidiaries (the "Group") is responsible for all information and representations contained in the financial statements for the years ended December 31, 2007, 2006 and 2005. The 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 the 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 auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weakness 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 reviewed the financial statements before such statements are approved and submitted to the stockholders of the Company.

Constantino Guadalquiver & Co., the independent auditors and appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Financial Reporting Standards and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to stockholders.

JOLLY L. TING
Chairman

CTC No. 07631261
Issued at Q.C.
Issued on Jan. 8, 2008

ORTRUD G. TING
Chief Finance Officer

CTC No. 07631253
Issued at Q.C.
Issued on 1-8-08

NANETTE T. ONGCARRANCEJA
President

CTC No. 07631254
Issued at Q.C.
Issued on 1-8-2008

APR 04 2008

SUBSCRIBED AND SWORN to before me this _____ day of _____ affiant and exhibiting to me her Community Tax Certificate No. _____ issued on _____ at _____.

Doc. No. 170
Page No. 35
Book No. _____
Series of 2008

ATTY. GLENN G. HAO
NOTARY PUBLIC
UNTIL DEC. 31, 2009
RM. 207 RS BUILDING
1190 EARL OCAMPO EXTENSION
MAKATI CITY

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
Jolliville Holdings Corporation
20 Lansbergh Place
170 Tomas Morato corner Scout Castor Street
Quezon City

We have audited the accompanying financial statements of Jolliville Holdings Corporation and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2007 and 2006, and the consolidated statements of income, changes in equity and 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.

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. 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 auditors' 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Jolliville Holdings Corporation and Subsidiaries as of December 31, 2007 and 2006 and of their financial performance and their cash flows for each of the three years in the period ended December 31, 2007 in accordance with Philippine Financial Reporting Standards.

CONSTANTINO GUADALQUIVER & CO.

By:



Edwin F. Ramos

Partner

CPA Certificate No. 91293

SEC Accreditation No. 0432-A

TIN 134-885-674

PTB No. 1000360

January 11, 2008

Makati City

March 19, 2008

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(Amounts in Philippine Pesos)

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	₱ 43,784,104	₱ 21,025,876
Receivables – net (Note 4)	33,149,617	26,129,461
Other current assets (Note 5)	18,093,455	11,288,734
Total Current Assets	95,027,176	58,444,071
Noncurrent Assets		
Available-for-sale investments – net (Note 6)	3,247,158	3,247,158
Investment property (Notes 7 and 23)	374,787,272	360,133,007
Property and equipment – net (Note 8)	146,803,266	138,455,450
Deferred tax assets (Note 17)	3,723,117	5,292,198
Other noncurrent assets (Note 9)	38,394,920	40,688,230
Total Noncurrent Assets	566,955,733	547,816,043
	₱ 661,982,909	₱ 606,260,114
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 11 and 13)	₱ 20,576,669	₱ 28,475,044
Due to related parties (Note 12)	26,338,785	21,124,015
Income tax payable	–	182,233
Total Current Liabilities	46,915,454	49,781,292
Noncurrent Liabilities		
Loan payable (Note 10)	30,791,211	–
Deferred tax liability (Note 17)	41,210,161	36,369,360
Payable to property owners (Note 20)	10,624,056	13,824,273
Customers' deposits (Note 20)	8,731,605	8,107,415
Total Noncurrent Liabilities	91,357,033	58,301,048
Equity		
Attributable to Equity Holders of Parent Company		
Share capital – ₱ 1 par value		
Authorized – 1,000,000,000 shares		
Subscribed and fully paid – 281,500,000 shares	281,500,000	281,500,000
Share premium reserve	1,509,533	1,509,533
Revaluation surplus in investment property and property and equipment – net of deferred taxes (Notes 7 and 8)	135,353,569	135,353,569
Loss on available-for-sale investments (Note 6)	(1,500,000)	(1,500,000)
Accumulated profits	79,137,240	54,349,606
	496,000,342	471,212,708
Minority Interest	27,710,080	26,965,066
	₱ 661,982,909	₱ 606,260,114

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(Amounts in Philippine Pesos)

	2007	2006	2005
REVENUES			
Rental	₱ 45,567,024	₱ 41,478,479	₱ 41,488,125
Water services (Note 24)	43,043,115	24,837,270	21,496,404
Management services	14,725,088	8,700,000	9,675,000
Sale of plumbing and scrap materials	1,298,161	2,202,318	1,409,509
	104,633,388	77,218,067	74,069,038
COST OF SERVICES (Notes 8, 12, 14 and 24)	46,788,886	46,153,269	41,531,602
GROSS PROFIT	57,844,502	31,064,798	32,537,436
OPERATING EXPENSES (Notes 4, 8, 12, 13 and 15)	30,842,607	25,522,814	24,547,690
PROFIT FROM OPERATIONS	27,001,895	5,541,984	7,989,746
OTHER INCOME (CHARGES) – Net (Notes 2, 16 and 20)	12,445,982	(860,141)	4,312,928
PROFIT BEFORE INCOME TAX EXPENSE	39,447,877	4,681,843	12,302,674
INCOME TAX EXPENSE – Net (Note 17)			
Current	7,505,347	1,044,678	1,706,581
Deferred	6,409,882	(783,847)	6,799,321
	13,915,229	260,831	8,505,902
NET PROFIT	₱ 25,532,648	₱ 4,421,012	₱ 3,796,772
NET PROFIT ATTRIBUTABLE TO:			
Equity holders of the parent	₱ 24,787,634	₱ 2,990,358	₱ 3,764,053
Minority interest	745,014	1,430,654	32,719
	₱ 25,532,648	₱ 4,421,012	₱ 3,796,772
EARNINGS PER SHARE (Note 18)	₱ 0.0881	₱ 0.0106	₱ 0.0134

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(Amounts in Philippine Pesos)

	Attributable to Equity Holders of Parent Company						Total	Minority interest
	Share capital	Share premium reserve	Revaluation surplus in investment property and equipment	Loss on available-for-sale investments	Accumulated profits			
Balance at December 31, 2004	₱ 281,500,000	₱ 1,509,533	₱ 140,555,124	₱ -	₱ 40,516,586	₱ 464,081,243	₱ 1,751,693	
Effect of change in income tax rate (Note 17)			(3,149,054)		3,080,108	(68,946)		
Loss on available-for-sale investments (Note 6)				(1,500,000)		(1,500,000)		
Net profit in 2005					3,764,053	3,764,053	32,719	
Balance at December 31, 2005	281,500,000	1,509,533	137,406,070	(1,500,000)	47,360,747	466,276,350	1,784,412	
Increase in minority share (Notes 7 and 23)							23,750,000	
Effect of derecognition of investment property (Notes 7 and 17)			(2,052,501)		3,998,501	1,946,000		
Net profit in 2006					2,990,358	2,990,358	1,430,654	
Balance at December 31, 2006	281,500,000	1,509,533	135,353,569	(1,500,000)	54,349,606	471,212,708	26,965,066	
Net profit in 2007					24,787,634	24,787,634	745,014	
Balance at December 31, 2007	₱ 281,500,000	₱ 1,509,533	₱ 135,353,569	(₱ 1,500,000)	₱ 79,137,240	₱ 496,000,342	₱ 27,710,080	

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(Amounts in Philippine Pesos)

	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax expense	₱ 39,447,877	₱ 4,681,843	₱ 12,302,674
Adjustments for:			
Depreciation and amortization (Notes 8, 14 and 15)	20,944,719	32,152,446	30,595,091
Change in fair value of investment property through profit or loss (Note 7)	(13,830,861)	-	(8,965,426)
Financial charges and interest (Notes 10 and 16)	1,509,187	-	-
Interest - financial liability at amortized cost (Notes 2 and 16)	699,783	(1,103,028)	1,245,783
Provisions for:			
Retirement benefits (Note 13)	1,771,266	1,093,569	551,167
Impairment loss (Notes 4 and 15)	418,737	498,946	88,185
Inventory obsolescence (Note 15)	-	150,586	-
Interest income (Note 16)	(823,991)	(242,887)	(96,133)
Write-off of receivables	-	(59,707)	-
Impairment loss (Note 6)	-	-	3,502,842
Operating profit before working capital changes	50,136,717	37,171,768	39,224,183
Decrease (increase) in:			
Receivables	(7,438,893)	(3,025,505)	266,312
Other current assets	(9,000,000)	34,860	575,605
Increase (decrease) in:			
Accounts payable and accrued expenses	(9,788,957)	(727,290)	16,217,037
Customers' deposits	624,190	426,464	73,090
Cash generated from operations	24,533,057	33,880,297	56,356,227
Income tax paid	(5,492,301)	(4,138,374)	(3,905,325)
Interest received	823,991	242,887	96,133
Interest paid	(38,760)	-	-
Net cash provided by operating activities	19,825,987	29,984,810	52,547,035
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in due from related parties (Note 12)	-	16,196,874	16,662,649
Additions to:			
Property and equipment (Note 8)	(29,292,535)	(4,764,624)	(24,483,988)
Investment property (Notes 7 and 23)	(823,404)	-	(6,278,276)
Payments to property owners	(3,900,000)	(1,824,188)	(4,020,000)
Decrease (increase) in other noncurrent assets (Note 9)	2,293,310	(7,665,587)	630,427
Net cash provided by (used in) investing activities	(31,722,629)	1,942,475	(17,489,188)

(Forward)

	2007	2006	2005
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availment (Note 10)	29,440,100	-	-
Increase in due to related parties (Note 12)	5,214,770	21,124,015	-
Payment of loan	-	(57,296,766)	(32,703,234)
Net cash provided by (used in) financing activities	34,654,870	(36,172,751)	(32,703,234)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	22,758,228	(4,245,466)	2,354,613
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	21,025,876	25,271,342	22,916,729
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	₱ 43,784,104	₱ 21,025,876	₱ 25,271,342
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF:			
Cash in banks	₱ 20,924,709	₱ 13,310,182	₱ 25,171,342
Short-term time deposits	19,482,513	7,488,788	-
Cash on hand	3,139,976	-	-
Revolving fund	156,906	156,906	58,000
Petty cash fund	80,000	70,000	42,000
	₱ 43,784,104	₱ 21,025,876	₱ 25,271,342

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Jolliville Holdings Corporation ("the Parent Company") and subsidiaries, collectively referred to as "the Group" were incorporated and organized under the laws of the Philippines and registered with the Securities and Exchange Commission on various dates.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

Subsidiaries	Percentage of Ownership			
	2007		2006	
Granville Ventures Inc. (GVI)*	100.00		100.00	
Jollideal Marketing Corporation (JMC)*	100.00		100.00	
Jolliville Group Management, Inc. (JGMI)	100.00		100.00	
Jolliville Leisure and Resort Corporation (JLRC)*	100.00		100.00	
Ormin Holdings Corporation (OHC)*	100.00		100.00	
Ormina Realty and Development Corporation (ORDC)	100.00		100.00	
Uptrend Concepts Management Corporation (UCMC)	100.00		100.00	
Calapan Waterworks Corporation (CWC)				
Direct ownership of the Parent Company	39.31		39.31	
Company's ownership through ORDC	32.91	72.22	32.91	72.22

**preoperating stage*

The Parent Company was incorporated primarily to acquire, invest in, hold, sell, exchange and generally deal in with securities of every kind and description such as trust certificates, commercial papers, choses in action, evidences of indebtedness, certificates of interest, shares of stock, voting trust certificates, membership certificates, bonds, mortgages, debentures, notes, warrants, rights, options, scripts, or other securities of any nature howsoever evidences (without in any way acting as investment house, or securities dealer or broker), and to purchase, lease or otherwise acquire lands or interest in lands, and to build, construct or erect thereon buildings, factories, or other structures and to own, hold, improve, develop, manage, sell, lease, exchange or otherwise dispose of any such lands or interest in lands and/or such buildings, factories or structures.

Currently, the Parent Company's principal activity is investment holdings in subsidiaries and associates and leasing of investment property and movable property. The principal activities of the subsidiaries are as follows:

Name of subsidiary	Principal activity
CWC	Operates, manages and maintains the general business of development and utilization of water resources to harness, produce and supply water for domestic, municipal, agricultural, industrial, commercial or recreational purposes.
JGMI UCMC	Provide management, investment and technical advices and services except the management of funds, securities, portfolio or similar assets of the managed entities or corporations.

(Forward)

<u>Name of subsidiary</u>	<u>Principal activity</u>
ORDC	Engages in real estate business including property development, sale or lease. Develops, sells and/or leases movable property.
JLRC	Will engage in the lease and purchase marine, aquatic and environmental resources located in the Philippines and develop and conserve places with tourism value.
JMC	Will engage in the purchase and sale of construction and other related materials.
GVI OHC	Will engage in real estate business including property acquisition, development, sale or lease. Also, will engage in the purchase, investment and sale of securities of any kind, without, in any way, acting as investment house or security dealer or broker.

The Parent Company's registered office and principal place of business is No. 20 Lansbergh Place, 170 Tomas Morato corner Scout Castor Street, Quezon City.

The accompanying financial statements were authorized for issue by the Board of Directors on March 19, 2008.

2. **Summary of Significant Accounting and Financial Reporting Policies**

Basis of Preparation of Financial Statements

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), including interpretations, issued by the Philippine Accounting Standards Council (now called Financial Reporting Standards Council or FRSC) and adopted by the SEC and took effect starting annual accounting periods beginning January 1, 2005. The financial statements of the Group have been prepared on the historical cost basis except for investment properties which are stated at fair values and certain property and equipment which are stated at appraised values.

Reporting Currency

The financial statements are presented in Philippine pesos, which is the Group's functional and presentation currency under PFRS.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the aforementioned subsidiaries (see Note 1) held directly or indirectly through wholly and majority-owned subsidiaries. Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany accounts, transactions, and income and expenses and losses are eliminated upon consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover losses.

Disposals of equity investments to minority interests result in gains and losses for the Group are recorded in the statement of income. Purchase of equity shares from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired in the carrying value of the net assets of the subsidiary.

Management's Use of Judgments and Estimates

The preparation of the Group's financial statements in accordance PFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates. The effect of any changes in estimates will be recorded in the Group's financial statements when 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

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

- *Operating Lease Commitments – Group as Lessor*
The Group has entered into property leases on its investment property portfolio. The Group has determined that it retains all significant risk and rewards of ownership of these properties which are leased out on operating leases.
- *Contingencies*
The Group is currently involved in legal and administrative proceedings. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on its financial position and results of operations. It is possible, however, that future results of operation could be materially affected by changes or in the effectiveness of strategies relating to these proceedings.

- *Impairment of Available-for-Sale Financial Assets*
The Group follows the guidance of PAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of the near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

The Group's allowance for decline and impairment in value of available-for-sale investments amounted to about ₱5 million. However, management expects recoverability as soon as the investees resume/start their operations. Management also expects that the operating results of the other investee will improve.

- *Distinction between Investment Property and Owner-Occupied Property*
The Group determines whether a property qualifies as investment property. In making its judgments, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also other assets used in the supply process.

Some properties are held to earn rentals or for capital appreciation and other properties are held for use in rendering of services or for administrative purposes. If the portion cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods and services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- *Useful Lives of Property and Equipment*
Useful lives of property and equipment are estimated based on the period over which these assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and 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 asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. Any reduction in the estimated useful lives of property and equipment would increase the Group's recorded operating expenses and decrease on the related asset accounts.
- *Impairment of Receivables*
The Group maintains allowances for impairment losses on receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the collectibility of the accounts.

The factors include, but are not limited to, the length of relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Group provides full allowance for receivables that it deems uncollectible. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease current assets.

- *Retirement and Other Benefits*

The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts.

The assumptions for pension costs and other retirement benefits are described in Note 13, and include among others, discount and salary increase rates. Actual results that differ from the 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 the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Group's pension and other retirement obligations.

The Group also estimates other employee benefits obligation and expense, including the cost of paid leaves based on historical leave availments of employees, subject to the Group's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

- *Impairment of Non-Financial Assets*

Impairment review is performed when certain impairment indicators are present. Such indicators would include significant changes in asset usage, significant decline in market value and obsolescence or physical damage on an asset. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Determining the net recoverable value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

- *Deferred Income Tax Assets*

The carrying amount of deferred 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 tax assets to be utilized. Management expects future operations will generate sufficient taxable profit that will allow all or part of the deferred income tax assets to be utilized.

- *Financial Assets and Liabilities*

PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e. interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect income and equity (See Note 20).

Changes in Accounting Policies Effective January 1, 2007

The Group adopted the following new PFRS, amendment to PAS and Philippine Interpretation on International Financial Reporting Interpretation (IFRIC) that are relevant effective in 2007:

- Amendment to PAS 1, "Presentation of Financial Statements", which requires the Company to make additional disclosures to enable the users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital.
- PFRS 7, "Financial Instruments: Disclosures", introduces new disclosures to improve the information about financial instruments. It requires the disclosures 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 32, "Financial Instruments: Disclosures and Presentation".
- IFRIC 10, "Interim Financial Reporting and Impairment", which provides that the frequency of financial reporting does affect the amount of impairment charge to be recognized in the annual financial reporting with respect to goodwill and available-for-sale investments (AFS). It prohibits the reversal of impairment losses on goodwill and AFS equity investments recognized in the interim financial reports even if impairment is no longer present at the annual balance sheet date.

The adoption of the above amendments to the PAS did not have significant impact on the Group's consolidated financial statements but gave rise on additional disclosures.

Also, the following Philippine interpretations became effective in 2007 but are not relevant to the Group:

- | | |
|---------|---|
| IFRIC 7 | - Applying the restatement approach under PAS 29, "Financial Reporting in Hyper Inflationary Economies" |
| IFRIC 8 | - Scope of PFRS 2 |
| IFRIC 9 | - Re-assessment of Embedded Derivatives |

Changes in Accounting Policies Effective Subsequent to 2007

The following Philippine Interpretations will be effective in 2008:

- IFRIC 11, PFRS 2, "Group and Treasury Share Transactions", which 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 from another party, or b) the shareholders 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 received rights to the equity instruments of the parent.

This interpretation will not have any effect on the Group's consolidated financial statements.

- IFRIC 12, "Service Concession Arrangements", which covers contractual arrangements arising from public-to-private service concession arrangements if control of the assets remains in public hand but the private sector operator is responsible for construction activities as well as for operating and maintaining the public sector infrastructure.

This covers contractual arrangements arising from private entities providing public services and is not relevant to the Group's current operations.

- IFRIC 13, "Customer Loyalty Programmes", which requires customer loyalty 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 and is allocated to the award credits and deferred over the period that the award credits are fulfilled.

The Group expects that this interpretation will have no impact on the Group's consolidated financial statements, as no such scheme currently exists.

- IFRIC 14, PAS 19, "The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction", which 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 will assess the effect of this interpretation when adopted.

Also, the following amendments in PAS and PFRS will be effective in 2009:

PAS 1	- Presentation of Financial Statements
PAS 23	- Borrowing Costs
PFRS 8	- Operating Segments

Financial Assets and Liabilities

Recognition

The Group recognizes a financial asset or liability in the balance sheet when it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are recognized initially at fair value of consideration given or received less directly attributable transaction costs. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit and loss.

Determination of fair value

Fair value is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value model where the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for a similar instruments with similar maturities. Other valuation techniques include comparing to similar instruments for which market observable prices exist; recent arm's length market transaction; option pricing model and other relevant valuation models.

Financial Assets

Subsequent to initial recognition, the Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets as appropriate. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. The Company determines the classification at initial recognition and, where allowance is appropriate, re-evaluates this designation at every reporting date.

Financial asset at fair value through profit or loss (FVPL)

A financial asset is classified in this category if acquired principally for the purpose of selling in the near term or upon initial recognition, it is designated by the management as at fair value through profit or loss. Derivatives are also categorized as held at fair value through profit or loss, except those derivatives designated as effective hedging instruments. Assets classified in this category are carried at fair value in the balance sheets. Changes in the fair value of such assets are accounted for in statements of income. Financial instruments held at fair value through profit or loss are classified as current if they are expected to be realized within 12 months from the balance sheet date.

The Group has no FVPL as of December 31, 2007 and 2006.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Such assets are carried at cost or amortized cost in the balance sheet. Amortization is determined using the effective interest method. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

Classified under this category are the Group's receivables and deposits.

Held-to-Maturity Investments (HTM)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at cost or amortized cost in the balance sheets. Amortization is determined by using the effective interest method. Assets under this category are classified as current assets if maturity is within 12 months from the balance sheet date and as noncurrent assets if maturity is more than a year from the balance sheet date.

The Group has no HTM as of December 31, 2007 and 2006.

Available-for-Sale Financial Assets

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognized as separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statements of income.

The fair value of investments that are actively traded in organized financial market is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include recent arm's length market transaction; reference to the current market value of another instrument which is substantially the same; discounted cash flows analysis and option pricing models.

Classified under this category are the Group's investments in common shares (Note 6).

Financial Liabilities

Other Financial Liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations and borrowings.

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This category includes loan payable, accounts payable and accrued expenses, due to a stockholder, payable to property owners and customers' deposits.

Impairment of Financial Assets

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

Assets carried at amortized cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the Group's consolidated statements of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial asset is collectively assessed for impairment. 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 of impairment.

If, in a subsequent period, the amount of the impairment loss decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred in 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, 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.

Financial assets available-for-sale

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the statements of income. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset is derecognized when (1) the rights to receive cash flows from the financial instruments expire, (2) the Company 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 (3) the Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or 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 or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of an asset nor transferred control of the assets, 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 derecognized when the obligation under the liability is discharged, cancelled or expired. Where the 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 is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheets 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 sheets.

Revenue and Cost Recognition

Revenue is recognized when it is probable that the economic benefit associated with the transactions will flow to the Group and the amount can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- Rental income is recognized on an accrual basis in accordance with the substance of the lease agreement.
- Management fee comprises the value of all services provided and is recognized when rendered.
- Water revenues are recognized when the related water services are rendered.
- Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

Cost and expenses are recognized upon utilization of the service or at the date they are incurred. Except for borrowing costs attributable to qualifying assets, all finance costs are reported on an accrual basis.

Cash and Cash Equivalents

Cash includes cash on hand and in 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 from dates of acquisition and that are subject to an insignificant risk of change in value.

Receivables

Trade and other receivables are carried at original invoice amount less any allowance for impairment in value.

Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is carried at fair value at balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

A company-occupied property classified under property and equipment account becomes an investment property when it ends company-occupation. Decrease in the carrying amount is recognized in statement of income. However, to the extent that an amount is included in its revaluation surplus, the decrease is charged against that revaluation surplus. Increase in carrying amount is recognized in statement of income to the extent that the increase reverses a previous impairment loss for such property. The amount recognized in statement of income does not exceed the amount needed to restore the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized. Any remaining part of the increase is credited directly to equity in revaluation surplus. Revaluation surplus included in equity maybe transferred to accumulated profits. The transfer from revaluation surplus to accumulated profits is not made through profit or loss.

Investment property is derecognized on disposal, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statements of income in the year of retirement or disposal.

Where there is clear evidence that the fair value of an investment property is not reliably determinable on a continuing basis, the cost model under PAS 16 "Property, Plant and Equipment", shall be used.

Property and Equipment

Land is carried at appraised values as determined by an independent firm of appraisers on September 17, 2001. The appraisal increment resulting from the revaluation was credited to "Revaluation Surplus in Investment Property and Property and Equipment" shown under "Equity" section in the balance sheets. Other property and equipment are carried at cost less accumulated depreciation, amortization and any allowance for impairment in value.

Initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable cost of bringing the assets to its working condition and location for its intended use. Expenses incurred and paid after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income when the costs are incurred. In situation 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 and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings and improvements	10 - 25
Water utilities and distribution system	10 - 50
Furniture, furnishings and equipment on lease	10
Transportation equipment	8
Office furniture, fixtures and equipment	5

Leasehold improvements are amortized over their estimated useful lives or the term of the lease whichever is shorter.

The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Construction in progress, included in the property and equipment, is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts, and any gain or loss resulting from their disposal is credited or charged to current operations.

Goodwill

Goodwill arising from the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if events of changes in circumstances indicate that the carrying value may be impaired. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of Non-financial Assets

The carrying values of long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less cost to sell. 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 assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the smallest cash-generating unit to which the asset belongs. Impairment losses are recognized in the statements of income in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss is credited to current operations.

Bank loans and Long-term payables

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds, net of transaction costs, and the settlement amount is recognized over the term of the loan in accordance with the Group's accounting policy for borrowing costs.

Long-term payables are initially measured at fair value and are subsequently measured at amortized cost, using effective interest rate method.

Gains and losses are recognized in net profit or loss when the liabilities are derecognized or impaired, as well as through the amortization process.

Retirement Benefit Costs

The Group's retirement cost is actuarially determined using the Projected Unit Credit Method. This method reflects service rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity with option to accelerate when significant changes to underlying assumptions occur. Pension expense includes current service cost, interest cost and amortization of unrecognized past service cost and recognition of actuarial gains or losses.

The current service cost is a level annual amount or a fixed percentage of salary which, when invested at the rate of interest assumed in the actuarial valuation, is sufficient to provide the required retirement benefit at the employee's retirement.

Past service cost is the present value of the excess of the projected retirement benefits over the amount expected to be provided by future contributions based on the service cost. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

Actuarial gains and losses that exceed 10% of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets are amortized over the expected average remaining working lives of the participating employees.

The retirement benefit obligation recognized in the balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets, if any. Any assets resulting from this calculation is limited to unrecognized actuarial losses and past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

Related Party Transactions

Transactions between related parties are based on terms similar to those offered to non-related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs incurred during the construction period on loans and advances used to finance construction and property development are capitalized as part of construction and development costs included under "Property and Equipment" account in the balance sheets.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate.

All other borrowing costs are charged to operation in the period in which they are incurred.

No borrowing costs were charged to investment property and property and equipment in 2007 and 2006.

Leases

Leases are classified as finance leases whenever the term of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting period so as to reflect a constant periodic rate of return on the Group's net investment in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the lease asset and recognized on a straight-line basis over the term of the lease.

The Group as lessee

Assets held under finance lease are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rental are recognized as expenses in the periods in which they are incurred.

Rental expenses under operating leases are charged to profit or loss on a straight-line basis over the term of the lease.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes 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.

Income Taxes

Income taxes represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable income for the year. Taxable income differs from income as reported in the statements of income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred 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 and carryforward benefits of net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT). Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to off-set current tax assets against current tax liabilities.

Income tax relating to items recognized directly in equity is recognized in equity and not in the statements of income.

Provisions

Provisions are recognized only when the following conditions are met: a) there exists a present obligation (legal or constructive) as a result of past event; b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and, c) reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable.

Events after the 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 Group's financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to financial statements when material.

Earnings per Share (EPS)

EPS is determined by dividing net income for the year by the weighted average number of shares outstanding during the year including fully paid but unissued shares as of the end of the year, adjusted for any subsequent stock dividends declared.

3. **Business Segments**

The Group's operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that serves different market. The Parent Company and ORDC are engaged in providing furnishings and non-heavy equipment for lease. Also, the Parent Company leases some of its investment properties. The Utilities segment (CWC) is engaged in the operation, maintenance and distribution of water supplies in the City of Calapan, province of Oriental Mindoro and town of Tabuk, province of Tuguegarao. Corporate and Others segment includes management and marketing services and real estate. Marketing service and real estate business are still in their preoperating stages. Segment accounting policies are the same as the policies described in Note 2.

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, investment property, property and equipment net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred income taxes.

The Group generally accounts for inter-segment sales and transfers as in arm's-length transactions at current market prices. Such sales and purchases are eliminated in consolidation.

The following are revenue and profit information regarding industry segments for the years ended December 31, 2007, 2006 and 2005 and certain assets and liability information regarding industry segments as of December 31, 2007, 2006 and 2005:

2007					
	Rental	Utilities	Management Service	Elimination	Consolidated
REVENUES					
External sales	₱45,567,024	₱44,341,276	₱14,725,188	₱-	₱104,633,488
Inter-segment sales	6,000,000		9,816,869	(15,816,869)	-
	<u>₱51,567,024</u>	<u>₱44,341,276</u>	<u>₱24,542,057</u>	<u>(₱15,816,869)</u>	<u>₱104,633,488</u>
SEGMENT RESULTS	<u>₱38,415,644</u>	<u>₱21,725,181</u>	<u>₱13,040,646</u>	<u>(₱15,816,869)</u>	<u>₱57,844,602</u>
Unallocated expenses					<u>30,842,607</u>
Profit from operations					27,001,995
Interest and other income					12,445,882
Income tax expense					<u>13,915,229</u>
Net profit					<u>₱25,532,648</u>
Net profit attributable to:					
Equity holders of the parent company					₱24,787,634
Minority interest					<u>745,014</u>
Net profit					<u>₱25,532,648</u>
OTHER INFORMATION					
Assets:					
Segment assets	₱308,490,283	₱80,698,970	₱15,040,608		₱404,229,861
Unallocated corporate assets					257,753,048
Consolidated total assets					<u>661,982,909</u>
Liabilities:					
Segment liabilities	₱34,061,059	₱43,052,309	₱6,550,204		₱83,663,572
Unallocated corporate liabilities					54,608,915
Consolidated total liabilities					<u>138,272,487</u>
Capital expenditures	₱3,014,432	₱25,729,153	₱548,950	₱-	₱29,292,535
Depreciation and amortization	16,592,411	3,525,392	826,916	-	20,944,719
Noncash expenses other than depreciation and amortization		418,737			418,737

	2006				Consolidated
	Rental	Utilities	Management Service	Elimination	
REVENUES					
External sales	₱41,478,479	₱27,039,588	₱8,700,000	₱-	₱77,218,067
Inter-segment sales	6,000,000		4,415,982	(10,415,982)	-
	₱47,478,479	₱27,039,588	₱13,115,982	(₱10,415,982)	₱77,218,067
SEGMENT RESULTS	₱23,955,844	₱12,346,033	₱5,178,903	(₱10,415,982)	₱31,064,798
Unallocated expenses					25,522,814
Profit from operations					5,541,984
Interest and other income					(860,141)
Income tax expense					260,831
Net profit					₱4,421,012
Net profit attributable to:					
Equity holders of the parent company					₱2,990,358
Minority interest					1,430,654
Net profit					₱4,421,012
OTHER INFORMATION					
Assets:					
Segment assets	₱395,587,366		₱19,345,341		₱515,202,856
		100,270,149			
Unallocated corporate assets					91,057,258
Consolidated total assets					606,260,114
Liabilities:					
Segment liabilities	₱81,181,926	₱18,854,728	₱8,064,721		₱108,101,375
Unallocated corporate liabilities					(19,035)
Consolidated total liabilities					108,082,340
Capital expenditures	₱676,097	₱3,124,602	₱963,924	₱-	₱4,764,623
Depreciation and amortization	28,540,060	2,318,882	1,293,504	-	32,152,446
Noncash expenses other than depreciation and amortization					709,239

	2005				
	Rental	Utilities	Management Service	Elimination	Consolidated
REVENUES					
External sales	₱41,488,125	₱22,905,913	₱9,675,000	₱-	₱74,069,038
Inter-segment sales	4,000,000		8,087,992	(12,087,992)	-
	<u>₱45,488,125</u>	<u>₱22,905,913</u>	<u>₱17,762,992</u>	<u>(₱12,087,992)</u>	<u>₱74,069,038</u>
SEGMENT RESULTS	<u>₱21,005,059</u>	<u>₱13,084,020</u>	<u>₱10,536,349</u>	<u>(₱12,087,992)</u>	<u>₱32,537,436</u>
Unallocated expenses					24,547,690
Profit from operations					7,989,746
Interest and other income					4,312,928
Income tax expense					8,505,902
Net profit					<u>₱3,796,772</u>
Net profit attributable to:					
Equity holders of the parent					₱3,764,053
Minority interest					32,719
Net profit					<u>₱3,796,772</u>
OTHER INFORMATION					
Assets:					
Segment assets	₱441,808,538	₱66,151,524	₱15,151,838		₱523,111,900
Unallocated corporate assets					95,050,495
Consolidated total assets					<u>618,162,395</u>
Liabilities:					
Segment liabilities	₱125,368,756	₱20,103,264	₱4,239,809		₱149,711,829
Unallocated corporate liabilities					389,804
Consolidated total liabilities					<u>150,101,633</u>
Capital expenditures	₱2,961,321	₱21,366,485	₱156,182	₱-	₱24,483,988
Depreciation and amortization	28,813,333	647,743	1,040,265	93,750	30,595,091
Noncash expenses other than depreciation and amortization					3,591,028

4. Receivables

This account consists of:

	2007	2006
Trade	₱11,686,898	₱4,514,834
Claims from insurance company	13,792,149	13,792,149
Receivable from sale of investment	2,971,605	2,971,605
Advances to officers and employees	229,147	365,975
Others	5,677,216	5,273,559
	34,357,015	26,918,122
Less allowance for impairment losses	1,207,398	788,661
	₱33,149,617	₱26,129,461

The insurance claims pertain to indemnification of fire loss incurred in November 2001. Management believes that these claims are recoverable in full. Accordingly, no adjustment has been made in the accompanying consolidated financial statements relating to the recoverability of such claim.

5. Other Current Assets

This account consists of:

	2007	2006
Prepaid taxes	₱9,013,372	₱11,214,145
Short-term bank deposit	9,000,000	-
Prepaid taxes	60,168	54,674
Others	19,915	19,915
	18,093,455	₱11,288,734

6. Available-for-Sale Investments

This account consists of:

	2007	2006
Cost	₱8,250,000	₱8,250,000
Less:		
Allowance for impairment in value	3,502,842	3,502,842
Fair value adjustment	1,500,000	1,500,000
	5,002,842	5,002,842
	₱3,247,158	₱3,247,158

7. Investment Property

This account consists of:

	2007	2006
Cost:		
Land	₱143,504,382	₱109,732,957
Buildings and condominium units	43,563,564	43,563,564
	187,067,946	153,296,521
Additions (Note 23)	823,404	34,771,425
Disposal (Note 23)	-	(1,000,000)
	187,891,350	187,067,946
Adjustment to fair value:		
Beginning	173,065,061	183,086,486
Additions	13,830,861	-
Disposal (Note 23)	-	(10,021,425)
Ending	186,895,922	173,065,061
	₱374,787,272	₱360,133,007

The carrying amount of investment property approximates their fair values.

Rental income earned by the Group from its investment property under operating leases amounted to ₱14.8 million in 2007, ₱13.3 million in 2006 and ₱16.2 million in 2005.

8. Property and Equipment

The rollforward analysis of this account follows:

	2007							
	Land and improvements	Buildings and improvements	Furniture, and equipment for lease	Office furniture, fixtures and equipment	Transportation equipment	Water utilities and distribution system		Total
Cost:								
At January 1	₱1,148,930	₱54,451,104	₱221,525,206	₱13,935,011	₱11,942,314	₱45,748,336		₱348,750,901
Acquisitions	121,631	1,221,643	1,134,929	971,127	1,353,221	24,489,984		29,292,535
At December 31	1,270,561	55,672,747	222,660,135	14,906,138	13,295,535	70,238,320		378,043,436
Accumulated depreciation:								
At January 1	₱274,713	₱4,336,272	₱187,361,632	₱9,253,455	₱7,949,758	₱3,617,691		₱212,793,521
Depreciation	15,850	2,293,427	12,082,216	2,140,703	1,612,942	2,799,581		20,944,719
At December 31	290,563	6,629,699	199,443,848	11,394,158	9,562,700	6,417,272		233,738,240
	979,998	49,043,048	23,216,287	3,511,980	3,732,835	63,821,048		144,305,196
Revaluation increment in land	2,498,070							2,498,070
Net carrying value	₱3,478,068	₱49,043,048	₱23,216,287	₱3,511,980	₱3,732,835	₱63,821,048		₱146,803,266

2006								
	Land and improvements	Buildings and improvements	Furniture, furnishings and equipment for lease	Office furniture, fixtures and equipment	Transportation equipment	Water utilities and distribution system	Construction in Progress	Total
Cost:								
At January 1	₱1,148,930	₱53,667,141	₱221,429,173	₱12,033,770	₱11,363,632	₱26,193,631	₱18,150,000	₱343,986,277
Acquisitions	-	783,963	96,033	1,901,241	578,682	1,404,705	-	4,764,624
Reclassification	-	-	-	-	-	18,150,000	(18,150,000)	-
At December 31	1,148,930	54,451,104	221,525,206	13,935,011	11,942,314	45,748,336	-	348,750,901
Accumulated depreciation:								
At January 1	₱258,863	₱2,182,479	₱163,433,158	₱6,621,561	₱6,462,202	₱1,682,812		₱180,641,075
Depreciation	15,850	2,153,793	23,928,474	2,631,894	1,487,556	1,934,879		32,152,446
At December 31	274,713	4,336,272	187,361,632	9,253,455	7,949,758	3,617,691		212,793,521
	874,217	50,114,832	34,163,574	4,681,556	3,992,556	42,130,645		135,957,380
Revaluation increment in								
land	2,498,070							2,498,070
Net carrying value	₱3,372,287	₱50,114,832	₱34,163,574	₱4,681,556	₱3,992,556	₱42,130,645	₱-	₱138,455,450

Certain property and equipment under "land and improvements" and "water utilities and distribution system" were mortgaged in favor of a creditor bank in connection with the Group's loan availment (see Note 10).

9. Other Noncurrent Assets

This account consists of:

	2007	2006
Goodwill	₱29,944,957	₱29,944,957
Utilities and other deposits	8,449,963	10,743,273
	₱38,394,920	₱40,688,230

10. Loan Payable

This account pertains to a long-term loan availed from a local bank for the rehabilitation, expansion and improvements of waterworks system of CWC for ₱137 million payable in fifteen (15) years on a monthly basis. Interest is fixed at 10.5% per annum, reviewable and subject to adjustment annually thereafter but not to exceed 15% per annum. For 2007, the Company was able to negotiate the interest rate at 9%.

CWC executed a deed of assignment relative to the loan, in favor of the bank of (a) a portion of CWC's Reserve Fund (via Savings or Other Investment Account) equivalent to two monthly interest amortization during the grace period, to increase to two monthly principal and interest amortization after the grace period onwards. The Reserve Fund shall be maintained for CWC's expenses for maintenance, operation and emergency fund; and (b) billed water/receivables until the amount of the loan is fully paid.

Also, CWC, the Parent Company and its major stockholders mortgaged their real estate and other equipment all situated in Calapan, Oriental Mindoro with an aggregate assigned value of ₱15 million in favor of the bank.

In December 2007, the Group has drawn ₱31 million to start its expansion project.

Interest charged to operations amounted to ₱119,316.

11. Accounts Payable and Accrued Expenses

This account consists of:

	2007	2006
Trade	₱6,635,162	₱14,729,849
Accrued expenses (Note 13)	11,740,431	8,271,456
Others	2,201,076	5,473,739
	₱20,576,669	₱28,475,044

Carrying values of this account approximate the fair values at balance sheet date due to the short term nature of the transactions.

12. Related Party Transactions

The Group has the following transactions with related parties:

- a. Advances made by Stockholders to the Group to settle in full its loan balance in 2006. Such advances is payable on demand and is non-interest bearing.
- b. Non-interest bearing cash advances with affiliates for working capital purposes.

Details of due to related parties follow:

	2007	2006
Due to:		
Stockholders	₱26,291,386	₱21,124,015
Affiliate	47,399	-
	₱26,338,785	₱21,124,015

- c. The remuneration of directors and other members of key management personnel during the year are as follows:

	2007	2006	2005
Salaries	₱4,940,230	₱3,958,552	₱3,800,052
Bonuses	411,685	329,879	316,671
	₱5,451,915	₱4,288,431	₱4,116,723

13. Retirement Benefit Costs

The Group operates a noncontributory retirement plan covering all qualifying employees. Under the current plan, the employees are entitled to retirement benefits of 60 percent of one month's pay per year on attainment of at least five years of their services with the Group.

The most recent actuarial valuations of present value of the defined benefit obligation were carried out at December 31, 2007 by independent actuaries. The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

As of December 31, 2007, the plan has not been funded.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2007	2006
Discount rate	7.0%	7.0%
Expected rate of salary increase	5.5%	8.3%

Retirement expenses recognized in the statements of income were determined as follows:

	2007	2006	2005
Current service cost	₱535,397	₱551,167	₱122,182
Interest cost	500,277	542,402	428,985
Net actuarial loss recognized	735,592	-	-
	₱1,771,266	₱1,093,569	₱551,167

The rollforward of retirement benefit obligations follows:

	2007	2006
Balance at beginning of year	₱6,411,231	₱5,317,662
Retirement expense	1,771,266	1,093,569
Balance at end of year	₱8,182,497	₱6,411,231

14. Cost of Services

This account consists of:

	2007	2006	2005
Salaries and employee benefits (Note 12)	₱16,505,186	₱10,717,680	₱9,987,664
Depreciation and amortization (Note 8)	16,405,644	26,247,356	25,164,385
Utilities	6,097,941	4,807,449	2,549,096
Repairs and maintenance	4,419,002	1,435,719	1,242,581
Rental (Note 24)	1,379,582	439,261	-
Transportation and travel	490,250	768,882	1,325,977
Office supplies	443,005	635,732	420,402
Supervision and regulatory fees	440,494	224,790	215,208
Materials	330,135	580,554	300,998
Insurance	146,252	157,808	113,069
Communication	131,395	138,038	173,548
Others	-	-	38,674
	₱46,788,886	₱46,153,269	₱41,531,602

15. Operating Expenses

This account consists of:

	2007	2006	2005
Salaries and employee benefits (Notes 12 and 13)	₱7,130,002	₱7,182,788	₱5,303,735
Transportation and travel	4,830,964	1,186,364	2,208,856
Depreciation and amortization (Note 8)	4,539,075	5,905,090	5,430,706
Professional services	3,386,865	2,749,638	2,642,530
Taxes and licenses	2,783,686	2,393,307	2,408,981
Utilities	1,566,106	1,333,986	1,483,553
Security services	921,325	537,182	590,181
Repairs and maintenance	804,240	447,781	70,735
Representation	580,535	165,832	134,961
Association dues	568,338	521,156	441,402
Office supplies	506,885	447,925	473,689
Communication	459,835	646,791	598,149
Impairment loss (Note 4)	418,737	498,946	88,185
Rental	309,750	-	144,100
Donation	173,975	472,318	-
Insurance	96,245	42,735	34,264
Provision for parts obsolescence	-	150,586	-
Written-off accounts	-	59,707	-
Others	1,766,044	780,682	2,493,663
	₱30,842,607	₱25,522,814	₱24,547,690

16. Other Income (Charges) - Net

This account consists of:

	2007	2006	2005
Change in fair value of investment property through profit or loss (Note 7)	₱13,830,861	₱-	₱8,965,426
Finance charges and interest (Note 10)	(1,509,187)	-	-
Interest income	823,991	242,887	96,133
Interest – financial liability at amortized cost (Notes 2 and 20)	(699,783)	(1,103,028)	(1,245,783)
Impairment loss (Note 6)	-	-	(3,502,848)
Others	100	-	-
	₱12,445,982	(₱860,141)	₱4,312,928

17. Income Taxes

a. The Group's deferred tax assets consist of the following:

	2007	2006
Tax effect of:		
Accrued retirement expenses	₱2,863,874	₱2,243,931
NOLCO	489,489	1,680,327
Allowances for:		
Impairment losses of receivables	622,400	475,844
Parts obsolescence	56,843	56,843
Carryforward benefit of MCIT	-	1,162,330
	4,032,606	5,619,275
Less deferred tax assets not recognized	309,489	327,077
	₱3,723,117	₱5,292,198

The Group's deferred tax liability pertains to tax consequences of fair value adjustments and appraisal increase in investment property and property and equipment.

NOLCO totaling ₱1,398,542 as of December 31, 2007, can be carried forward and claimed as deduction against regular taxable income as follows:

Date incurred	Amount	Expired/Applied	Balance	Expiry Date
December 31, 2007	₱191,450	₱-	₱191,450	December 31, 2010
December 31, 2006	2,850,169	(2,823,753)	26,416	December 31, 2009
December 31, 2005	1,709,069	(528,393)	1,180,676	December 31, 2008
December 31, 2004	241,698	(241,698)		December 31, 2007
	₱4,992,386	(₱3,593,844)	₱1,398,542	

MCIT and NOLCO totaling ₱1,162,330 and ₱3,352,146, respectively as of December 31, 2006 were claimed as deduction against normal income tax and taxable income in December 31, 2007.

b. Reconciliation between the statutory and the effective income tax rates follows:

	2007	2006	2005
Statutory income tax rate	35.00%	35.00%	32.50%
Additions to (reductions in) income tax resulting from:			
Other unallowable expenses	0.84	10.04	3.29
Interest income taxed at lower rate	(0.73)	(1.82)	(0.24)
Change in deferred tax assets not recognized	0.17	1.55	2.99
Tax effect on the disposal of investment property	-	(33.35)	-
Expired NOLCO	-	3.13	0.50
Effect of change in income tax rate	-	-	30.10
Others - net	-	(8.98)	-
Effective income tax rate	35.28%	5.57%	69.14%

c. On May 24, 2005, Republic Act No. 9337 entitled "An Act of Amending Sections 27, 28, 34, 106, 107, 108, 109, 110, 111, 112, 113, 114, 116, 119, 121, 148, 151, 236, 237, and 288 of the National Internal Revenue Code of 1997, as amended, and for other purposes" (Act), was passed into law effective November 1, 2005. Among others, the Act includes the following significant revisions to the rules of taxation:

- Change in the regular corporate income tax from 32% in 2004 to 35% starting November 1, 2005 up to December 31, 2008, and 30% starting January 1, 2009 and onwards;
- Reduction of the interest expenses allowed as a deductible expense by an amount equivalent to a certain percentage of the interest income subjected to final tax from 38% in 2004 to 42% starting November 1, 2005 and 33% starting January 1, 2009 and onwards;
- Increase in the coverage of value-added tax; and
- Change in regular value-added tax from 10% to 12% effective January 1, 2006 after any of several conditions has been satisfied. The 12% VAT became effective on February 1, 2006.

18. Earnings Per Share (EPS)

Computation of EPS attributable to the equity holders of the parent company is as follows:

	2007	2006	2005
Net income	₱24,787,634	₱2,990,358	₱3,764,053
Divided by weighted average number of common shares	281,500,000	281,500,000	281,500,000
	₱0.0881	₱0.0106	₱0.0134

19. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash, receivables, short-term bank deposits, available for sale investments, bank loans, trade payables due to related parties and property owners. The main purpose of the Group's financial instruments is to fund the Group's operations and to acquire and improve property and equipment. The main risks arising from the use of financial instruments are liquidity risk, interest rate risk and credit risk.

The main objectives of the Group's financial risk management are as follows:

- To identify and monitor such risks on an ongoing basis;
- To minimize and mitigate such risks; and
- To provide a degree of certainty about costs.

The Group's Board reviews and agrees with policies for managing each of these risks. These are summarized below:

Liquidity risk

The Group seeks to manage its liquid funds through cash planning on a regular basis. The Group uses historical figures and experiences and forecasts from its collections and disbursements. The Group's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.

Table below summarizes the maturity profile of the Group's financial liabilities:

As of December 31, 2007

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Loan payable	₱-	₱-	₱-	₱30,791,211	₱30,791,211
Trade payables and others	11,567,202	613,030	4,601,136	3,795,301	20,576,669
Due to related parties	738,933	5,001,188	11,882,745	8,715,919	26,338,785
Payable to property owners	325,000	650,000	2,925,000	7,304,623	11,204,623
	₱12,631,135	₱6,264,218	₱19,408,881	₱50,607,054	₱88,911,288

As of December 31, 2006

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Trade payables and others	₱7,692,944	₱324,606	₱17,058,579	₱3,398,915	₱-	₱28,475,044
Due to stockholders	-	9,051,096	9,296,013	2,754,870	22,036	21,124,015
Payable to property owners	325,000	650,000	2,925,000	11,204,623	-	15,104,623
	₱8,017,944	₱10,025,702	₱29,279,592	₱17,358,408	₱22,036	₱64,703,682

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term borrowings. The Group's policy is to minimize interest rate cash flow risk exposures. Long-term borrowings are therefore usually at agreed interest rates. Also, the Group manages its exposure to interest rate risk by closely monitoring bank interest rates with various banks and maximizing borrowing period based on market volatility of interest rates. In December 2007, the Group has drawn ₱31 million of the total loan package from a creditor bank to cover its expenditures on water expansion project.

If interest rates had been 5 points higher or lower and all other variables were held constant, the Group's profit for the year ended December 31, 2007 would decrease or increase by ₱115,467.

Credit risk

Credit risk refers to the risk that a customer/debtor will default on its contractual obligations resulting in financial loss to the Group. The Group controls this risk through regular coordination with the customers. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group also controls this risk by cutting its services and refusal to reconnect until the customer's account is cleared or paid.

The Group's credit risk is primarily attributable to its trade receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Given the Group's diverse base of customers, it is not exposed to large concentration of credit risk.

Below is the quality per class of receivables:

	2007		
	Neither past due nor impaired	Past due but not impaired	Total
Trade	₱2,533,202	₱8,423,204	₱10,956,406
Advances and non-trade	380,184	21,813,027	22,193,211
	₱2,913,386	₱30,236,231	₱33,149,617

	2006		
	Neither past due nor impaired	Past due but not impaired	Total
Trade	₱2,981,618	₱1,221,461	₱4,203,079
Advances and non-trade	386,214	21,540,168	21,926,382
Total	₱3,367,832	₱22,761,629	₱26,129,461

Below is the aging analysis of receivables:

	2007				
	Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days	Total
Trade	₱2,533,202	₱733,359	₱1,047,367	₱7,372,970	₱11,686,898
Advances and nontrade	380,184	47,095	-	22,242,838	22,670,117
Total	₱2,913,386	₱780,454	₱1,047,367	₱29,615,808	₱34,357,015

	2006				
	Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days	Total
Trade	₱2,981,618	₱29,646	₱5,352	₱1,498,218	₱4,514,834
Advances and nontrade	386,214	-	22,757	21,994,317	22,403,288
Total	₱3,367,832	₱29,646	₱28,109	₱23,492,535	₱26,918,122

20. Financial Instruments

Set out below is a comparison by category of carrying values and estimated fair values of Group's financial instruments as of December 31:

	2007		2006	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash and cash equivalents	₱43,784,104	₱43,784,104	₱21,025,876	₱21,025,876
Receivables	33,149,617	33,149,617	26,129,461	26,129,461
Special bank deposit	9,000,000	9,000,000	-	-
Available-for-sale investments	3,247,158	3,247,158	3,247,158	3,247,158
	₱89,180,879	₱89,180,879	₱50,402,495	₱50,402,495
Financial liabilities:				
Loan payable	₱30,791,211	₱30,791,211	₱-	₱-
Accounts payable and accrued expenses	20,576,669	20,576,669	28,475,044	28,475,044
Due to related parties	26,338,785	26,338,785	21,124,015	21,124,015
Payable to property owners	10,624,056	10,624,056	13,824,273	13,824,273
	₱88,330,721	₱88,330,721	₱63,423,332	₱63,423,332

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The carrying value of cash, receivables, special bank deposit, due from stockholders, accounts payable and accrued expenses, due to a stockholder and loans payable balances approximate their fair values due to the short-term nature of the transactions and are considered due and demandable.

The estimated fair values of payable to property owners are based on the discounting values of future cash flows using prevailing discount rates that are specific to the tenor of the instruments' cash flows as of balance sheet date. Discount rate was 6.54%.

The amortized interest on liabilities to property owners in 2007, 2006 and 2005 amounted to ₱699,783, ₱1,103,028 and ₱1,245,783, respectively. Unamortized interest as of 2007 amounted to ₱580,567.

The fair value of utilities and other deposits could not be determined since the time of their refunds or applications could not be reasonably estimated.

The fair value of customer's deposits could not be practically determined since they are attached to the underlying service and that the cessation of services and the possibility of refund are not determinable. Moreover, the individual balances of this account are insignificant.

21. Capital Risk Management

The Group's objective in managing capital is to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance and to sustain future development of the business.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group's gearing ratio is computed as follows:

	2007	2006
Loan payable	₱30,791,211	₱-
Accounts payable and accrued expenses	20,174,771	28,475,044
Due to related parties	26,338,785	21,124,015
Payable to property owners	10,624,056	13,824,273
Customers' deposits	8,731,605	8,107,415
Less cash and cash equivalents	43,784,104	21,025,876
Net debt	52,876,324	50,504,871
Equity	360,646,773	335,859,139
Total	₱413,523,097	₱386,364,010
	13%	13%

22. Contingencies

The Group is a party to certain lawsuits or claims arising from the ordinary course of business. The Group's management and legal counsels believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the Group's financial statements, and thus, no provision has been made for these contingent liabilities.

23. Note to Statements of Cash Flows

In 2006, the Parent Company paid its subscriptions in share capital of CWC through exchange of investment property for an agreed value of ₱11,021,425.

Also, in 2006, additional subscriptions in CWC shares were made by minority owners in exchange for certain parcels of land.

The property transferred were held under a tax-free exchange pursuant to section 40 (c) (6) of the National Internal Revenue Code of 1997. On December 28, 2007, the tax-free exchange was approved by the Bureau of Internal Revenue.

24. Other Matters

Lease of Water Facilities

In 2006, CWC entered into a lease agreement with the local government of Tabuk, in the province of Kalinga (local government). Items under lease are the water facilities developed and owned by the local government. Under the agreement, CWC will manage, operate and maintain this water system within a defined service area for 15 years from the day the facilities are turned-over by the local government. CWC shall pay lease to the local government based on agreed amounts. Also, CWC shall pay supervision fee of ₱5 per connection on a monthly basis subject to adjustment according to the change in general consumer price index of the region where the local government belongs.

The lease became effective in October 2006.

Lease and supervision fees paid amounted to ₱1.38 million and ₱0.12 million in 2007, respectively and ₱0.43 million and ₱0.02 million in 2006, respectively.

The Group's water revenue from operating the water facilities in 2007 and 2006 amounted to ₱8.3 million and ₱0.34 million, respectively.

Reclassifications

Certain accounts in the 2006 financial statements have been reclassified to conform to 2007 presentation of accounts.