

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, 2006**
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 **P129,012,756**.

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 **P100** per share to 1 billion shares with a new par value of **P1** 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 **P** 10 million divided into 100,000 common shares, with a par value of **P100** 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 **P8** million divided into 8 million common shares, with a par value of **P1** 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 **P200** million divided into 200 million common shares, with a par value of **P1** per share. To date, 50 million common shares of the corporation are subscribed and **P23,331,830** has been received as payment on subscription.

JLRC was incorporated on March 20, 1995, and at present, has an authorized capital stock of **P** 20 million divided into 200,000 common shares, with a par value of **P100** 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 **P2** million divided into 20,000 common shares, with a par value of **P100** 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, 2006, the water supply system serves seventeen (17) urban barangays and seven (7) adjoining rural barangays with the number of household connections at 5,842.

Groundwater is the source of water supply in Calapan City. A total of five (5) wells were operated in 2006.

Well No.	Location of Water Sources	Type of Pumps	Production (lps)	Remarks
3	Tawiran	Submersible	11.58	For Emergency Use Only
4	Tawiran	Submersible	25.00	
8	Pachoca	Centrifugal	9.49	
9	Bayanan	Submersible	31.94	
12	Bayanan	Submersible	32.00	

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 2006 averaged 36.08% as against 35% in 2005 and 41.06% in 2004. 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.

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.

As of end-2006, around ₱51 million has already been spent and an additional ₱137 million is estimated to be incurred. Calapan Water already has an approved loan from the Development

Bank of the Philippines up to the entire ₱137 million or 74% of the entire project cost, whichever is lower.

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

Rev. Contribution by Subsidiary	2006		2005	
JOH (parent only)	₱21,681,680	28%	₱31,747,663	38%
UCMC	8,706,423	11%	9,690,298	12%
ORDC**	19,737,771	26%	18,656,583	22%
Calapan Water	27,176,923	35%	22,893,573	28%
JGMI**	153,619	--	138,099	--
OHC	681	--	873	--
JLRC	3,857	--	3,508	--
TOTALS	₱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 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 ₱4,415,982 in 2006, ₱4,087,992 in 2005, and ₱3,495,977 in 2004 were eliminated.

Rev. Contribution By Product Lines	2006		2005	
Rental Income	₱41,478,479	54%	₱41,488,125	50%
Water Services	27,036,760	35%	22,885,228	27%
Management Consultancy Fees	8,700,000	11%	9,675,000	12%
Other Income	2,828	-%	8,986,111	11%
Interest Income	242,887	-%	96,133	-%
TOTALS	₱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 33 and 17% 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 120 full-time employees broken down as follows: 7 Executive, 11 Administrative, 15 Managerial, 10 Supervisory, 34 Operations and 43 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	“

CONDOMINIUM UNITS:		
Goldland Tower, Greenhills		
3-BR Unit	160.45	Residential Condo
Parking Slot	12.50	Owner's parking slot
Chateau de Baie, Roxas, Pñque		
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.

JOH and UCMC leased their office space until September 2004, the end of its lease contract. Shortly thereafter, the corporate headquarters was moved to its own office in Lansbergh Place, Q.C.

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. Our first witness, Mr. Ray Anthony Ong had been presented for direct examination but will continue on April 23, 2007

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 (₱34,860,741.41) exclusive of interest. In addition, JOH prayed for the payment of Two Million Pesos (₱2,000,000.00) by way of exemplary damages and One Million Pesos (₱1,000,000.00)

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. His re-cross examination is scheduled on March 2007.

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.

We are still waiting for the resolution of the fiscal for the reconsideration filed by the counsels of 24K Property Ventures Inc. for the estafa case. The reconsideration is being handled by Fiscal Andres.

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 2007	1.60	0.61
4 th quarter 2006		No activity
3 rd quarter 2006	1.04	0.63
2 nd quarter 2006		No activity
1 st quarter 2006		No activity

Last transaction date was on April 2, 2007. The Company's stock was inactive from said date onwards.

(2) Holders

As of March 31, 2007, the Company has 43 stockholders. The top 20 stockholders are:

Shareholder	Shares Held	Percentage
Elgeete Holdings, Inc.	167,187,739	59.39
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
IGC Securities, Inc.	5,375,000	1.91
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
HB Service Corporation	4,000,000	1.42
Ensure Holdings Corporation	3,925,800	1.39
Gan Chua, Wilfredo K.	3,170,000	1.13
Phyvita Enterprises Corporation	3,047,200	1.08
Uptrend Enterprises Corporation	3,000,000	1.07
Ting, Catalina O.	1,076,000	0.38
Ting, Ortrud	1,000,001	0.36

**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

The closure of a client each in January and December of 2004 caused rentals and management fees in 2005 to decrease by 2% and 10% as against 2004 figures, respectively. The rentals lost from the discontinued clients were partly offset by a minimal increase in the rates of the remaining clients. Meanwhile, management fees in 2005 increased by 21% as the addition of a new client in 2005 more than made up for the management fees lost from the two clients that closed in 2004. Water services in 2005 grew by 17% which could be attributed to increased water production from the commissioning of the new well no. 4 in January 2005.

Comparing 2006 against 2005, rentals have remained almost unchanged as the number of clients and the rates have been practically constant. However, management fees decreased by 10% as the new client acquired in 2005 has a variable basis in determining its fees and its results this year is down from the previous year.

Water services grew by 16% in 2006 as another new well, no. 12, 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.

Management has been able to keep costs and expenses at more or less the same levels as cost-saving measures continue to be adopted. Towards the end of 2004, The Group moved its offices, its corporate headquarters and subsidiaries', to its own Lansbergh property in Quezon City following the expiration of its lease in the Taipan Place condominium.

Cost of services in 2005 increased by ₱1.25 million (3%) against 2004 representing mainly electricity charges on the operation of the new well no. 4 and increase in salaries and employees' benefits from increases and new hires. Operating expenses had increased by ₱1.62 million (6%) in 2005 as the savings on the rent from leasing office space and reduced expenses on association dues, communication and utilities costs was offset by the additional depreciation charges on the new corporate headquarters on the Group's own Lansbergh property and the recognition of an impairment loss on available-for-sale investments.

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. 12 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 this year. Last year a loss of ₱3,502,843 was charged to operations.

The increase in interest and other income represent mainly CWWC's sale of pipes and plumbing materials on new connections. CWWC's average no. of subscribers increased by 750 from 4,654 in 2005 to 5,404 in 2006 and by 371 from 4,283 in 2004 to 4,654 in 2005. From ₱1,505,642 in 2005, this increased by 62% to ₱2,445,205 and from ₱1,038,993 in 2004, this increased by 45% to ₱1,505,642 in 2005.

The gain (loss) on investment property valuation represents the adjustment to fair value from the parent company. As of the latest appraisal on certain properties in 2005, a gain of ₱8,965,427 was recognized directly in the statements of income. Values at end-2006 as against 2005 remain unchanged.

Other losses represent the amortized interest on ORDC's payable on properties acquired. The decrease in other losses by ₱142,755 (11%) in 2006 and ₱273,000 (18%) in 2005 can be attributed to the decrease in the principal balance of the liability from the payments made during the respective years.

Resulting from the lower net income before tax for the period ended September 30 this year as against the previous year, provision for income tax decreased to ₱1,356,048 from ₱2,052,998. For the quarter ended, however, operating results was stronger as water services grew and expenses are relatively constant resulting in an increase in the tax provision from ₱311,976 to ₱964,671.

As a result of a higher profit before income tax not just on a consolidated basis but on the subsidiary level, the current income tax expense in 2005 increased from ₱1,038,799 to ₱1,706,581 or 64.28% as against 2004. The increase in the deferred portion of income tax expense by ₱6,697,928 (6,606%) from 2004 to 2005, on the other hand, represent mainly the effect of the change in the tax rate from 32% to 35% on the deferred tax liability on the revaluation surplus in investment property.

For 2006, despite the higher profit before income tax, 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 million 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 its unpaid subscriptions. This is also the reason for the decrease in the related deferred tax liability account by ₱3.5 million (9%).

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 decreased slightly from ₱618,162,395 as of December 31, 2005 to ₱606,260,114 at end-2006. This represents mainly the full settlement of the receivable from stockholders by way of the payment of the Company remaining bank loans. As a result, the Company now has an outstanding payable to stockholders of ₱21,124,015 whilst the due from stockholders and the loans payable balances are now nil. Nonetheless, the Company's

financial position remains robust as it was able to dramatically decrease its liabilities and modestly improve its equity position.

Other current assets increased by 31.69% from ₱8,530,379 as of December 31, 2005 to ₱11,324,060 at year-end. The increase represents mainly creditable withholding taxes on collections during the period for the group companies reflecting a taxable loss for the nine-month period. These remain unapplied since there is no corresponding normal income tax liability.

Periodic depreciation on the Group's property and equipment is the primary reason for the decrease in the related balance sheet account from ₱165,843,272 as of December 31, 2005 to ₱138,455,450 at year-end. Acquisitions for the period were insignificant.

The increase in the other noncurrent assets account by 23.40% to ₱40,742,904 at year-end represents mainly the deposits made to a consulting firm by Calapan Water for the engineering design of its development plan discussed earlier and for an intended acquisition of a property.

The decrease of ₱2,927,216 (17.47%) in the payable to property owners account is merely the periodic payments for the year.

The income tax payable represents mainly the minimum corporate income tax (MCIT) of Calapan Water. As mentioned earlier, the parent company and other subsidiaries has an excess of creditable withholding taxes.

Key Performance Indicators

		2006		2005	
Profitability					
Return on total assets (ROA)	= $\frac{\{\text{net income} + [\text{interest expense} \times (1 - \text{tax rate})]\}}{\text{average total assets}}$	3,088,186	0.0050	3,764,053	0.0060
		612,181,476		623,166,586	
		2006		2005	
	· measures how well assets have been employed by management				
		2005		2004	
Return on equity (ROE)	= $\frac{\text{net income}}{\text{ave. stockholders' equity}}$	3,088,186	0.0066	3,764,053	0.0081
		468,793,443		465,178,796	
	· when compared to the ROA, measures the extent to which financial leverage is working for or against shareholders				
Water revenue per subscriber	= $\frac{\text{water revenues}}{\text{ave. no. of water subscribers}}$	24,837,270	4,596	21,496,404	4,619
		5,404		4,654	
	· measures how well service and facilities improvements have influenced consumer's usage				

Financial leverage

$$\text{Debt ratio} = \frac{\text{total liabilities}}{\text{total assets}} = \frac{107,912,175}{606,200,556} = 0.1780 \quad \frac{150,101,633}{618,162,395} = 0.2428$$

- measures the share of company's liabilities to total assets

$$\text{Liabilities to equity} = \frac{\text{total liabilities}}{\text{stockholders' equity}} = \frac{107,912,175}{471,310,536} = 0.2290 \quad \frac{150,101,633}{466,276,350} = 0.3219$$

- measures the amount of assets being provided by creditors for each peso of assets being provided by the stockholders

Market valuation

$$\text{Market to book ratio} = \frac{\text{market value per share}}{\text{book value per share}} = \frac{1.02}{1.67} = 0.61 \quad \frac{0.66}{1.66} = 0.40$$

- relates the Company's stock price to its book value per share

The reason for the slight decline 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 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.

As proof of the Company's robust financial health and position, CWWC was able to secure a developmental loan from the Development Bank of the Philippines although there has been no availment to date.

The Company's market to book value in 2005 was brought about by a transaction wherein 1,000 shares were sold for only ₱0.66 each. Management treats the transaction just mentioned as an isolated case and it believes it is not indicative of reduced investor confidence. Recently, activity in the Company's stock has picked up and the prices have been indicative of its true value.

Liquidity and Solvency

The Company's cash balance decreased from end-2005 of ₱25.3 million to ₱21.0 million at December 31, 2006. The slight decrease can be attributed to the payment of the Group's outstanding loans. Liability to equity ratios went down to .2290x from 0.3219x as of end-2005 as the Company has fully paid its borrowings during the year.

Item 8. Financial Statements

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

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

NONE

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, 61, 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, 33, 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 G. Ting, 29, 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, 58, 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, 55, 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, 67, 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.

Rollie H. Tuazon, 60, 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 G. Ting 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 G. Ting, Sec/Treas & Chief Finance Officer				
D	Lourdes G. Ting, Director				
	TOTAL	2007*	1,723,827	143,653	
		2006	1,641,740	136,812	-
		2005	1,638,960	136,580	-
		2004	1,960,065	163,339	-
F	All other officers and directors as a group unnamed	2007*	2,432,653	202,721	
		2006	2,316,812	193,068	-
		2005	2,161,092	180,091	-
		2004	1,935,562	161,297	-

* 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.

<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	Elgeete Holdings, Inc. (4/F 20 Lansbergh Place, 170 Tomas Morato Ave., cor. Sct. Castor St., Quezon City)	Ting Family	Filipino	167,187,739	59.39 %
Common	A-Net Resources 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	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
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 G. Ting (-ditto-)	- ditto -	Filipino	1,000,001	0.36
				189,197,494	67.21%
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 G. Ting 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	111,454,495 (indirect)	Filipino	39.59%
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	60,373,284 (indirect)	Filipino	21.45%
Common	Nanette T. Ongcarranceja	500,001 (direct)	Filipino	0.18%
Common	Nanette T. Ongcarranceja	3,482,428 (indirect)	Filipino	1.24%

Common	Ortrud G. Ting	1,000,001 (direct)	Filipino	0.36%
Common	Ortrud G. Ting	3,482,428 (indirect)	Filipino	1.24%
Common	Rolando H. Tuazon	100,001 (direct)	Filipino	-%
Common	Dexter E. Quintana	200,001 (direct)	Filipino	-%

Directors and officers as a group hold a total of 188,026,638 shares equivalent to 66.79% of Jollville 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 2006 of P21,124,015. 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.
- (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) Attendance in seminars on Corporate Governance
 - (b5) Recorded meetings of the Board of Directors and committees, i.e. Nomination, Audit, and Compensation and Remuneration
- (c) There are no known 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.

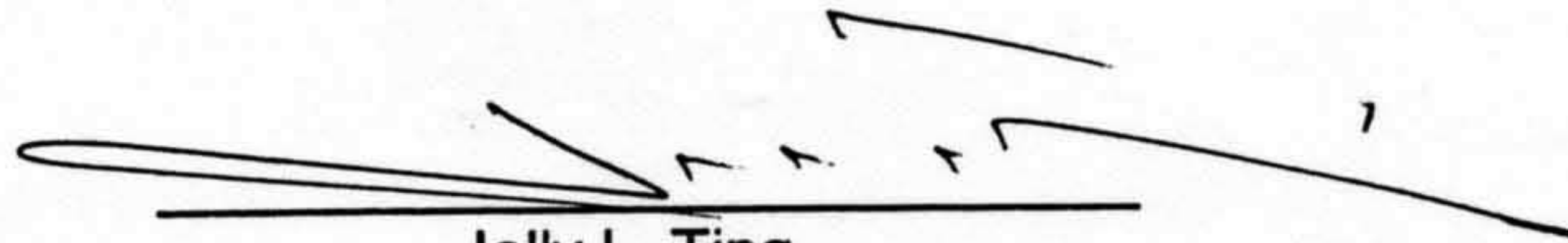
(b) Reports on SEC Form 17-C

<i>Date</i>	<i>Excerpts</i>
January 30, 2006	Certification on compliance with SEC Memorandum Circular No. 2 dated April 5, 2002 (Corporate Governance).
February 14, 2006	Acquisition of land by Calapan Water from Spouses Jolly and Lourdes Ting in exchange for shares of stock.
May 31, 2006	Notice of postponement of Annual Stockholders' Meeting from any day in June to August.
August 16, 2006	Minutes of Annual Stockholders' Meeting and results of election of Directors to serve under the Audit, Nomination and Compensation Committees.
December 28, 2006	Certification on attendance in Board Meetings of each Director for calendar year ending December 31, 2006.

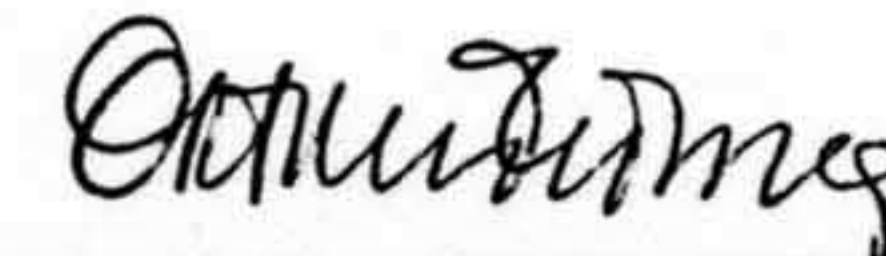
SIGNATURES

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 27, 2007.


By:



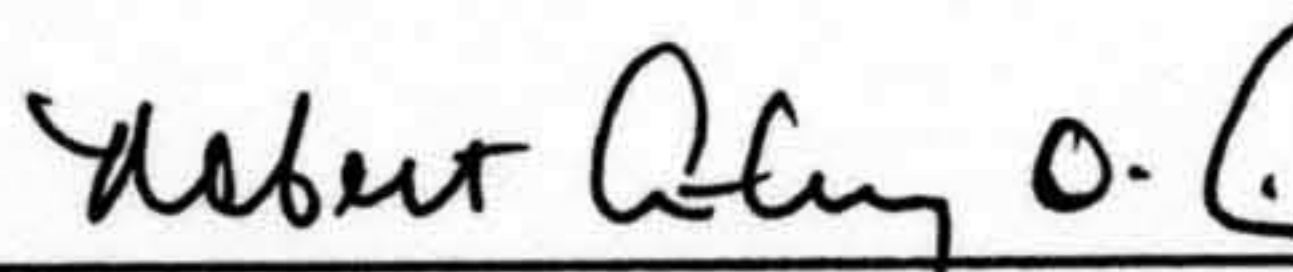
 Jolly L. Ting
 Chairman



 Ortrud G. Ting
 Chief Financial Officer &
 Corporate Secretary



 Nanette T. Ongcarranceja
 President



 Robert Anthony D. Sia
 Principal Accounting Officer &
 Comptroller

SUBSCRIBED AND SWORN to before me this _____ 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	07539785	January 9, 2007	Quezon City
Nanette T. Ongcarranceja	07539777	January 9, 2007	Quezon City
Ortrud G. Ting	07539741	January 9, 2007	Quezon City
Robert Anthony D. Sia	07539782	January 9, 2007	Quezon City



INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

December 31, 2006

For the Year Ended December 31, 2006

Page No.

Consolidated Financial Statements

Consolidated Statement of Management's Responsibility for Financial Statements	1
Report of Independent Public Accountants	2
Consolidated Balance Sheets as of December 31, 2006 and 2005	3
Consolidated Statements of Income and Expenses for the years ended December 31, 2006, 2005 and 2004	4
Consolidated Statement of Changes in Stockholders' Equity	5
Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005, and 2004	6
Notes to Consolidated Financial Statements	7

Supplementary Schedules

A. Marketable Securities - (Current Marketable Equity Securities and Other Short-term Cash Investments)	*
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)	*
C. Non-current Marketable Equity Securities, Other Long-term Investments, and Other Investments	*
D. Indebtedness of Unconsolidated Subsidiaries and Affiliates	*
E. Property, Plant and Equipment	*
F. Accumulated Depreciation	*
G. Intangible Assets - Other Assets	*
H. Long-term Debt	*
I. Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)	*
J. Guarantees of Securities of Other Issuers	*
K. Capital Stock	*

* *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 27, 2007

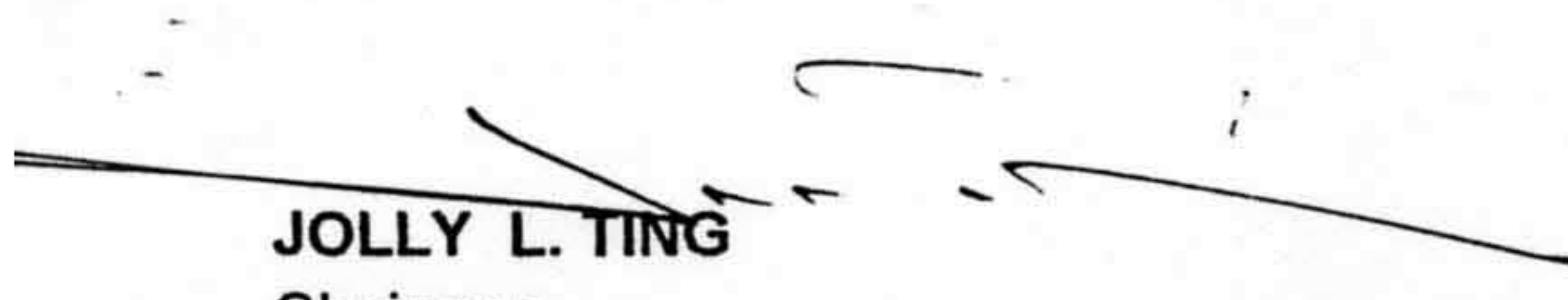
Securities and Exchange Commission
SEC Building
Mandaluyong City


The management of Jolliville Holdings Corporation and subsidiaries are responsible for all information and representations contained in the consolidated financial statements for the year ended December 31, 2006 and 2005. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of the management with an appropriate consideration to materiality.

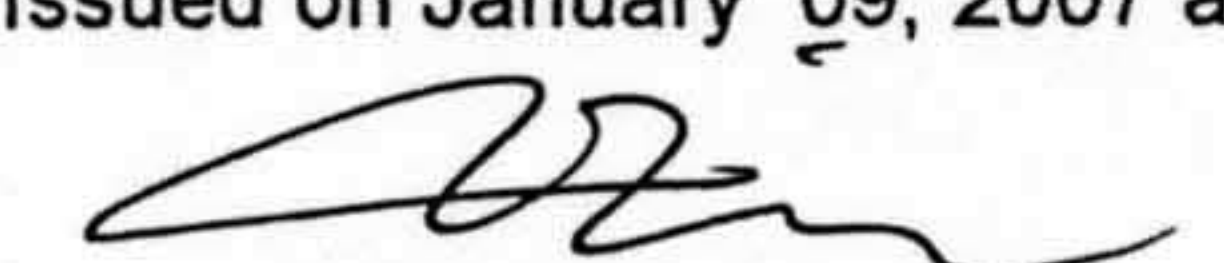
In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management 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 weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

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

Constantino Guadalquiver & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with generally accepted auditing standards in the Philippines 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. 07539785
Issued on January 09, 2007 at Quezon City


ORTRUD G. TING
Chief Finance Officer
CTC No. 07539741
Issued on January 09, 2007 at Quezon City


NANETTE T. ONGCARRANCEJA
President
CTC No. 07539777
Issued on January 09, 2007 at Quezon City



SUBSCRIBED AND SWORN to before me this 13 APR 2007 day of _____ affiant and exhibiting
to me her Community Tax Certificate No. _____ issued on _____ at _____

Doc. No. 119
Page No. 24
Book No. 7
Series of 2007

JUCEL G. GORDOLA
NOTARY PUBLIC
COMMISSION NO. 030 (2006-2007) UNTIL DEC. 31, 2007
ROLL OF ATTORNEY NO. 25103
I. B. P. NO. 645134 (CT 2006-2007) B. C. CHAPTER
TR NO. 8490482; JAN. 08, 2007 QUEZON CITY

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
Jolliville Holdings Corporation
20 Lansbergh Place
140 Tomas Morato corner Scout Castro 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, 2006 and 2005, and the consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended December 31, 2006, 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 Jollville Holdings Corporation and Subsidiaries as of December 31, 2006 and 2005, and of their financial performance and their cash flows for each of the three years in the period ended December 31, 2006 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 134-885-074
PTR No. 0324677
January 18, 2007
Makati City

March 27, 2007



JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2006 AND 2005
(Amounts in Philippine Pesos)

	2006	2005
ASSETS		
Current Assets		
Cash	₱ 21,025,876	₱ 25,271,342
Receivables – net (Note 4)	26,129,461	23,602,902
Due from stockholders (Note 12)	–	16,196,874
Other current assets (Note 5)	11,234,060	8,530,379
Total Current Assets	58,389,397	73,601,497
Noncurrent Assets		
Available-for-sale investments – net (Note 6)	3,247,158	3,247,158
Investment property (Notes 7 and 22)	360,133,007	336,383,007
Property and equipment – net (Note 8)	138,455,450	165,843,272
Deferred tax assets (Note 16)	5,292,198	6,069,851
Other noncurrent assets – net (Note 9)	40,742,904	33,017,610
Total Noncurrent Assets	547,870,717	544,560,898
	₱ 606,260,114	₱ 618,162,395
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 11 and 13)	₱ 28,475,044	₱ 28,108,765
Due to stockholders (Note 10)	21,124,015	–
Income tax payable	182,233	386,804
Loan payable (Notes 7 and 10)	–	57,296,766
Total Current Liabilities	49,781,292	85,792,335
Noncurrent Liabilities		
Deferred tax liability (Note 16)	36,369,360	39,876,858
Payable to property owners	13,824,273	16,751,489
Customers' deposits	8,107,415	7,680,951
Total Noncurrent Liabilities	58,301,048	64,309,298
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	137,406,070
Loss on available-for-sale investments (Note 6)	(1,500,000)	(1,500,000)
Accumulated profits	54,349,606	47,360,747
	471,212,708	466,276,350
Minority Interest	26,965,066	1,784,412
	₱ 606,260,114	₱ 618,162,395

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(Amounts in Philippine Pesos)

	2006	2005	2004
REVENUES			
Rental	₱ 41,478,479	₱ 41,488,125	₱ 42,283,101
Water services	24,837,270	21,496,404	18,445,302
Management fees	8,700,000	9,675,000	7,980,000
Sale of plumbing and scrap materials	2,202,318	1,409,509	414,098
	77,218,067	74,069,038	69,122,501
COST OF SERVICES (Note 14)	45,714,008	41,531,602	40,281,260
GROSS PROFIT	31,504,059	32,537,436	28,841,241
EXPENSES			
Operating (Notes 13 and 15)	25,962,075	24,547,690	26,434,910
Amortization of deferred interest (Note 2)	1,103,028	1,245,783	1,518,783
	27,065,103	25,793,473	27,953,693
PROFIT FROM OPERATIONS	4,438,956	6,743,963	887,548
OTHER INCOME (LOSS) – Net	242,887	5,558,711	(700,536)
PROFIT BEFORE INCOME TAX EXPENSE	4,681,843	12,302,674	187,012
INCOME TAX EXPENSE – Net (Note 16)			
Current	1,044,678	1,706,581	1,038,799
Deferred	(783,847)	6,799,321	101,393
	260,831	8,505,902	1,140,192
NET PROFIT (LOSS)	₱ 4,421,012	₱ 3,796,772	(₱ 953,180)
NET PROFIT (LOSS) ATTRIBUTABLE TO:			
Equity holders of the parent	₱ 2,990,358	₱ 3,764,053	(₱ 973,334)
Minority interest	1,430,654	32,719	20,154
	₱ 4,421,012	₱ 3,796,772	(₱ 953,180)
EARNINGS (LOSS) PER SHARE (Note 17)	₱ 0.0106	₱ 0.0134	(₱ 0.0035)

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(Amounts in Philippine Pesos)

	Attributable to Equity Holders of Parent Company							Minority interest
	Share capital	Share premium reserve	Revaluation surplus in investment property and equipment	Loss on available-for-sale investments	Accumulated profits	Total		
Balance at January 1, 2004	₱281,500,000	₱1,509,533	₱141,456,418	₱–	₱40,588,626	₱465,054,577	₱1,731,539	
Decrease in the carrying value of investment property charged to revaluation surplus			(901,294)		901,294	–		
Net loss in 2004					(973,334)	(973,334)	20,154	
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 16)			(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 22)							23,750,000	
Effect of derecognition of investment property (Notes 7 and 16)			(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	

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(Amounts in Philippine Pesos)

	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax expense	₱ 4,681,843	₱ 12,302,674	₱ 187,012
Adjustments for:			
Depreciation and amortization (Notes 8, 14 and 15)	32,152,446	30,595,091	28,580,487
Amortization of deferred interest	(1,103,028)	1,245,783	1,518,783
Provisions for:			
Doubtful accounts (Notes 4 and 15)	498,946	88,185	189,506
Inventory obsolescence (Notes 5 and 15)	150,586	–	–
Interest income	(242,887)	(96,133)	(624,895)
Write-off of accounts	(59,707)	–	–
Fair value adjustment	–	(8,965,426)	1,325,431
Loss on impairment in value of available-for-sale investments	–	3,502,842	–
Interest expense	–	–	63,181
Operating profit before working capital changes	36,078,199	38,673,016	31,239,505
Decrease (increase) in:			
Receivables	(3,025,505)	266,312	523,113
Other current assets	34,860	575,605	1,930,635
Increase (decrease) in:			
Accounts payable and accrued expenses	366,279	16,768,204	(4,012,969)
Customers' deposits	426,464	73,090	628,701
Cash generated from operations	33,880,297	56,356,227	30,308,985
Income tax paid	(4,138,374)	(3,905,325)	(3,275,773)
Interest received	242,887	96,133	624,895
Interest paid	–	–	(168,000)
Net cash provided by operating activities	29,984,810	52,547,035	27,490,107
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in due from stockholders (Note 12)	16,196,874	16,662,649	18,158,785
Reductions in (additions to):			
Property and equipment (Note 8)	(4,764,624)	(24,483,988)	(70,857,314)
Investment property (Note 22)	–	(6,278,276)	31,229,455
Proceeds from sale of property and equipment	–	–	97,192
Payments to property owners	(1,824,188)	(4,020,000)	(3,781,996)
Decrease (increase) in other noncurrent assets	(7,665,587)	630,427	3,220,394
Net cash provided by (used in) investing activities	1,942,475	(17,489,188)	(21,933,484)
<i>(forward)</i>			

	2006	2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of loan	(57,296,766)	(32,703,234)	–
Increase in due to stockholders	21,124,015	–	–
Net cash used in financing activities	(36,172,751)	(32,703,234)	–
NET INCREASE (DECREASE) IN CASH	(4,245,466)	2,354,613	5,556,623
CASH AT BEGINNING OF YEAR	25,271,342	22,916,729	17,360,106
CASH AND END OF YEAR	₱ 21,025,876	₱ 25,271,342	₱ 22,916,729
CASH AT END OF YEAR CONSISTS OF:			
Cash in bank	₱ 20,925,876	₱ 25,171,342	₱ 22,901,729
Revolving fund	58,000	58,000	10,000
Petty cash fund	42,000	42,000	5,000
	₱ 21,025,876	₱ 25,271,342	₱ 22,916,729

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:

Investee Company	Percentage of Ownership		
	2006	2005	
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	30.48		43.97
Company's ownership through ORDC	37.70	68.18	55.37
			99.34

**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.

The Parent Company's principal activity is investment holdings in subsidiaries and associates and leasing of 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, to 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, 140 Tomas Morato corner Scout Castro Street, Quezon City.

The accompanying financial statements were authorized for issue by the Board of Directors on March 27, 2007.

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

Principles 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 unrealized income 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.

Basis of Preparation of Financial Statements

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) in the Philippines as set forth in 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 payable to property owners which is stated at amortized cost, certain property and equipment which are stated at appraised values and investment property accounts and other financial assets and liabilities which are stated at fair values.

The principal accounting policies adopted are set out below.

Reporting Currency

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

Changes in Accounting Policies

The Group adopted the following amendments to the PAS effective January 1, 2006:

- PAS 19, "Amendment to Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures", requires additional disclosures about trends in the assets and liabilities in the defined benefit plans and the assumptions underlying the components of the defined benefit costs;
- PAS 21, "Financial Instruments: Recognition and Measurement – Amendments for Financial Guarantee Contracts", requires the initial recognition of financial guarantee contracts at fair value and generally re-measured at the higher of the amount determined in accordance with PAS 37, "Provisions, Contingent Liabilities and Contingent Assets", and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with PAS 18, "Revenue Recognition".

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

Changes in Accounting Policies Effective January 1, 2007

- 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".

The Group is currently assessing the impact of the above standards and expects to give rise to additional disclosures.

Management's Use of Judgments and Estimates

The preparation of the Group's financial statements in conformity with generally accepted accounting principles 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.

PAS 1 requires disclosures about key sources of estimation and judgments management has made in the process of applying accounting policies. The following is a summary of these significant estimates and judgments and the related impact and associated risks on the financial statements:

- *Allowances for Doubtful Accounts*
Provisions are made for accounts especially identified to be doubtful of collection. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts such as the length of relationship with the debtor/customer, credit status of debtor based on third party reports, and historical experience.
- *Useful Lives of Investment Property and Property and Equipment*
Useful lives of investment property and 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 investment property and property and equipment would increase the Group's recorded operating expenses and decrease on the related asset accounts.
- *Asset Impairment*
Impairment review is performed when certain impairment indicators are present. 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.
- *Pension 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, rates of compensation increase. In accordance with Philippine GAAP, actual results that differ from our 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.

- *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.

- *Provisions*

The estimate of the probable costs for the resolution of possible third party claims has been developed in consultation with outside consultant handling the Group's defense on these matters and is based upon an analysis of potential results. When management and its outside consultant/legal counsel believe that the eventual liabilities under these claims, if any, will not have a material effect on the Group's financial statements, no provision for probable losses is recognized in the Group's financial statements.

- *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 19).

Financial Assets and Liabilities

Financial assets and liabilities are recognized initially at fair value. 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. 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 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.

The Group recognizes a financial asset or liability in the balance sheet when it becomes a party to the contractual provisions of the instrument. A financial liability (or a part of a financial liability) is derecognized when the obligation is extinguished. In the case of a regular purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Financial assets are classified into 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 Group determines the classification at initial recognition and, where allowance is appropriate, re-evaluates this designation at every reporting date.

- *Financial asset or financial liability at fair value through profit or loss (FVPL)*
A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing 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 sheet. Changes in the fair value of such assets are accounted for in statement 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, 2006 and 2005.

- *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.

- *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 sheet. 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, 2006 and 2005.

- *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 statement 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 Groups investments in common shares (Note 6).

- *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 loans payable, accounts payable and accrued expenses, due to a stockholder, payable to property owners and customers' deposits.

The amortized interest on liabilities to property owners in 2006, 2005 and 2004 amounted to ₱1,103,028, ₱1,245,783 and ₱1,518,783, respectively.

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.

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

Financial Assets. Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

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 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.

Trade Receivables

Trade receivables are carried at original invoice amount less any allowance for doubtful accounts.

The carrying value of trade receivables approximates the fair value at balance sheet date due to the short-term nature of the transaction.

Investments

Investments are initially recognized at fair value, plus directly attributable transaction costs.

Investments classified as either held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. When securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit and loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit and loss for the period. Impairment losses recognized in profit or loss for equity investment classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

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.

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.

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 reverse 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 to 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.

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.

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. 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.

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:

	Years
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 included in the statements of income.

Impairment of Nonfinancial 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. 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.

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

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

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

Retirement Benefit Costs

The Group's retirement cost is determined using the Projected Unit Credit Method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

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 costs, and as reduced by the fair value of plan assets. 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.

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.

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.

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

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. 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.

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. The Utilities segment (CWC) is engaged in the operation, maintenance and distribution of water supplies in the City of Calapan, province of Oriental Mindoro. 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. The Group generally accounts for inter-segment sales and transfers as if the sales were to third parties at current market prices.

The following are revenue and profit information regarding industry segments for the years ended December 31, 2006, 2005 and 2004 and certain assets and liability information regarding industry segments as of December 31, 2006, 2005 and 2004:

	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)	-
	<u>₱47,478,479</u>	<u>₱27,039,588</u>	<u>₱13,115,982</u>	<u>(₱10,415,982)</u>	<u>₱77,218,067</u>
RESULTS					
Segment results	<u>₱23,955,844</u>	<u>₱12,785,294</u>	<u>₱5,178,903</u>	<u>(₱10,415,982)</u>	<u>₱31,504,059</u>
Unallocated expenses					27,065,103
Profit from operations					4,438,956
Interest and other income					242,887
Income tax expense					260,831
Net profit					<u>₱4,421,012</u>
Net profit attributable to:					
Equity holders of the parent company					₱2,990,358
Minority interest					1,430,654
Net profit					<u>₱4,421,012</u>
OTHER INFORMATION					
Assets:					
Segment assets	<u>₱395,587,366</u>	<u>₱100,270,149</u>	<u>₱19,345,341</u>		<u>₱515,202,856</u>
Unallocated corporate assets					91,057,258
Consolidated total assets					<u>606,260,114</u>

	2005				Consolidated
	Rental	Utilities	Management Service	Elimination	
Liabilities:					
Segment liabilities	₱125,368,756	₱20,103,264	₱4,239,809		₱149,711,829
Unallocated corporate liabilities					389,804
Consolidated total liabilities					150,101,633
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
	2004				
	Rental	Utilities	Management Service	Elimination	Consolidated
REVENUES					
External sales	₱42,283,101	₱18,859,400	₱7,980,000	₱-	₱69,122,501
Inter-segment sales			3,495,977	(3,495,977)	-
	₱42,283,101	₱18,859,400	₱11,475,977	(₱3,495,977)	₱69,122,501
RESULTS					
Segment results	₱17,704,973	₱10,158,998	₱4,473,247	(₱3,495,977)	₱28,841,241
Unallocated expenses					27,953,693
Profit from operations					887,548
Interest and other income					(700,536)
Income tax expense					1,140,192
Net loss					(₱953,180)
Net profit attributable to:					
Equity holders of the parent					(₱973,333)
Minority interest					20,153
Net loss					(₱953,180)
OTHER INFORMATION					
Assets:					
Segment assets	₱467,843,888	₱43,414,371	₱17,090,541		₱528,348,800
Unallocated corporate assets					99,821,978
Consolidated total assets					628,170,778

	Rental	Utilities	2004 Management Service	Elimination	Consolidated
Liabilities:					
Segment liabilities	₱147,913,373	₱8,565,025	₱5,646,585		₱162,124,983
Unallocated corporate liabilities					212,859
Consolidated total liabilities					162,337,842
Capital expenditures	₱62,283,642	₱8,257,063	₱316,609	₱-	₱70,857,314
Depreciation and amortization	26,307,468	1,015,864	1,059,942	187,500	28,570,774
Noncash expenses other than depreciation and amortization					2,000,396

4. Receivables

This account consists of:

	2006	2005
Trade	₱4,514,834	₱2,785,733
Claims from insurance company	13,792,149	13,792,149
Receivable from sale of investment	2,971,605	2,925,000
Advances to officers and employees	365,975	211,546
Others	5,273,559	4,178,190
	26,918,122	23,892,618
Less allowance for doubtful accounts	788,661	289,716
	₱26,129,461	₱23,602,902

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:

	2006	2005
Prepaid taxes	₱11,214,145	₱8,325,018
Prepaid expenses	-	54,775
Others	19,915	150,586
	₱11,234,060	₱8,530,379

6. Available-for-Sale Investments

This account consists of:

	2006	2005
Cost	₱8,250,000	₱8,250,000
Less:		
Allowance for impairment in value	3,502,842	3,502,842
Decline in value	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:

	2006	2005
Cost:		
Land	₱109,732,957	₱109,732,957
Buildings and condominium units	43,563,564	43,563,564
	153,296,521	153,296,521
Additions	34,771,425	-
Disposal (Note 22)	(1,000,000)	-
	187,067,946	153,296,521
Adjustment to fair value	183,086,486	183,086,486
Disposal (Note 22)	(10,021,425)	-
	₱360,133,007	₱336,383,007

The management considers the carrying amount of investment property approximates their fair values.

The property rental income earned by the Group from its investment property under operating leases, amounted to ₱13,278,913 in 2006, ₱16,182,789 in 2005 and ₱13,283,778 in 2004.

8. Property and Equipment

The rollforward analysis of this account follows:

	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, 2006	₱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, 2006	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, 2006	₱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, 2006	274,713	4,336,272	187,361,632	9,253,455	7,949,758	3,617,691	-	212,793,521
Net book value as of								
December 31, 2006	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
Carrying value as of								
December 31, 2006	₱3,372,287	₱50,114,832	₱34,163,574	₱4,681,556	₱3,992,556	₱42,130,645	₱-	₱138,455,450

	2005							
	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, 2005	₱1,148,930	₱52,799,253	₱221,226,873	₱11,507,952	₱9,133,723	₱23,685,558	₱-	₱319,502,289
Acquisitions		867,888	202,300	525,818	2,229,909	2,508,073	18,150,000	24,483,988
At December 31, 2005	1,148,930	53,667,141	221,429,173	12,033,770	11,363,632	26,193,631	18,150,000	343,986,277
Accumulated depreciation:								
At January 1, 2005	243,014	28,331	138,916,516	4,633,422	5,138,188	1,086,513	-	150,045,984
Depreciation	15,849	2,154,148	24,516,642	1,988,139	1,324,014	596,299	-	30,595,091
At December 31, 2005	258,863	2,182,479	163,433,158	6,621,561	6,462,202	1,682,812	-	180,641,075
Net book value as of								
December 31, 2005	890,067	51,484,662	57,996,015	5,412,209	4,901,430	24,510,819	18,150,000	163,345,202
Revaluation increment in								
land	2,498,070							2,498,070
Carrying value as of								
December 31, 2005	₱3,388,137	₱51,484,662	₱57,996,015	₱5,412,209	₱4,901,430	₱24,510,819	₱18,150,000	₱165,843,272

Total borrowing cost capitalized amounted to ₱6.3 million and ₱10.2 million in 2005 and 2004, respectively.

No borrowing cost was capitalized in 2006.

9. Other Noncurrent Assets

This account consists of:

	2006	2005
Goodwill	₱29,944,957	₱29,944,957
Utilities and other deposits	10,797,947	3,072,653
	₱40,742,904	₱33,017,610

10. Loan Payable

This account pertains to a short-term loan from a local bank and is secured by real estate mortgage of major stockholders with average interest rate of 11.50% per annum.

The loan was used to acquire and develop property (see Note 8).

On January 19, 2006, the loan was settled in full by a major stockholder.

Estimated fair value of the loan approximates its carrying value because interest rate on the loan closely coincides with the market rates at balance sheet date.

11. Accounts Payable and Accrued Expenses

This account consists of:

	2006	2005
Trade	₱14,729,849	₱15,971,231
Accrued expenses	8,271,456	5,086,835
Others	5,473,739	7,050,699
	₱28,475,044	₱28,108,765

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

12. Related Party Transactions

In June 2001, the Parent Company sold its investments in shares of stock in Jolliville Realty and Development Co. to its stockholders and two foreign companies. The balance of receivables from stockholders relating to sale amounted to ₱16,196,874 and ₱32,859,523 as of December 31, 2005 and 2004, respectively, and is noninterest-bearing and payable in three years. The full payment of the balance was extended for another two years until 2006.

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

	2006	2005	2004
Salaries	₱3,958,552	₱3,800,052	₱3,895,627
Bonuses	329,879	316,671	324,636
	₱4,288,431	₱4,116,723	₱4,220,263

13. Retirement Benefit Costs

In 2005, the Group has started to operate a noncontributory retirement plan covering all qualifying employees. Under the plan, the employees are entitled to retirement benefits varying between 25 and 100 percent of final salary on attainment of five to twenty years of their services with the Group.

Based on the latest actuarial valuation as of March 15, 2005, the present value of actuarial accrued and unfunded liability amounted to ₱4,766,495. The principal actuarial assumptions used in determining the retirement benefits were discount, salary increases and interest rates of 10.2%, 7.0% and 9.0%, respectively. As of December 31, 2006, the plan has not been funded and the retirement benefit obligation amounted to ₱6,411,231.

The amounts recognized in the statements of income in 2006, 2005 and 2004 were determined as follows:

	2006	2005	2004
Current service cost	₱551,167	₱122,182	₱481,411
Interest cost	542,402	428,985	12,998
	₱1,093,569	₱551,167	₱494,409

The rollforward of retirement benefit obligations follows:

	2006	2005
Balance at beginning of year	₱5,317,662	₱4,766,495
Retirement expense	1,093,569	551,167
Balance at end of year	₱6,411,231	₱5,317,662

14. Cost of Services

This account consists of:

	2006	2005	2004
Depreciation and amortization	₱26,247,356	₱25,164,385	₱25,349,420
Salaries and employee benefits	10,717,680	9,987,664	9,301,028
Utilities	4,807,449	2,549,096	1,660,204
Repairs and maintenance	1,435,719	1,242,581	1,199,392
Transportation and travel	768,882	1,325,977	1,202,868
Office supplies	635,732	420,402	716,624
Materials	580,554	300,998	264,536
Supervision and regulatory fees	224,790	215,208	187,993
Insurance	157,808	113,069	178,438
Communication	138,038	173,548	167,280
Others	-	38,674	53,477
	₱45,714,008	₱41,531,602	₱40,281,260

15. Operating Expenses

This account consists of:

	2006	2005	2004
Salaries and employee benefits (see Note 13)	₱7,182,788	₱5,303,735	₱4,267,455
Depreciation and amortization	5,905,090	5,430,706	3,221,354
Professional fees	2,749,638	2,642,530	2,787,549
Taxes and licenses	2,393,307	2,408,981	2,014,146
Utilities	1,333,986	1,483,553	1,247,274
Transportation and travel	1,186,364	2,208,856	2,100,296
Communication	646,791	598,149	830,167
Security services	537,182	590,181	552,337
Association dues	521,156	441,402	1,291,789
Doubtful accounts	498,946	88,185	189,506
Donation	472,318	-	-
Office supplies	447,925	473,689	390,204
Repairs and maintenance	447,781	70,735	190,609
Representation	165,832	134,961	53,644
Inventory obsolescence	150,586	-	-
Rent	145,200	144,100	4,146,566
Written-off accounts	59,707	-	-
Insurance	42,735	34,264	64,558
Amortization of goodwill	-	-	1,810,890
Interest	-	-	63,181
Others	1,074,743	2,493,668	1,213,385
	₱25,962,075	₱24,547,695	₱26,434,910

16. Income Taxes

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

	2006	2005
Tax effect of:		
Accrued retirement expenses	₱2,243,931	₱1,861,182
Net operating loss carryover (NOLCO)	1,680,327	3,360,557
Allowances for:		
Doubtful accounts	475,844	301,213
Parts obsolescence	56,843	4,137
Carryforward benefit of MCIT	1,162,330	942,371
	5,619,275	6,469,460
Less deferred tax assets not recognized	327,077	399,609
	₱5,292,198	₱6,069,851

The Group's deferred tax liability pertains to tax consequences of revaluation surplus in investment property and property and equipment.

The carryforward benefits of MCIT and NOLCO that can be claimed as deduction from normal income tax and taxable income, respectively, follows:

Year Incurred	Expiry Date	MCIT	NOLCO
2006	December 31, 2009	₱506,729	₱2,850,169
2005	December 31, 2008	454,909	1,709,069
2004	December 31, 2007	200,692	241,698
		₱1,162,330	₱4,800,936

The carryforward benefit of NOLCO amounting to ₱419,063 in 2003 has expired in 2006.

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

	2006	2005	2004
Statutory income tax rate	35.00%	32.50%	32.00%
Additions to (reductions in) income tax resulting from:			
Tax effect on the disposal on investment property	(33.35)	-	-
Unallowable interest expense	8.25	3.29	259.88
Expired NOLCO	3.13	0.50	409.65
Interest income taxed at lower rate	(1.82)	(0.24)	(105.85)
Unallowable expense	1.79	-	-
Change in valuation allowance	1.55	2.99	(54.89)
Effect of change in income tax rate	-	30.10	-
Others – net	(8.98)	-	68.90
Effective income tax rate	5.57%	69.14%	609.69%

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:

- a. 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;
- b. 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;
- c. Increase in the coverage of value-added tax; and
- d. 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.

17. Earnings Per Share (EPS)

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

	2006	2005	2004
Net income (loss)	₱2,990,358	₱3,764,053	(₱973,334)
Divided by weighted average number of common shares	281,500,000	281,500,000	281,500,000
	₱0.0106	₱0.0134	(₱0.0035)

18. Financial Risk Management Objectives and Policies

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.

- Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term borrowings. Management 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 2006, the Group was able to settle its bank loans through advances from its major stockholder. This has resulted to a decrease in interest expense for the year.

- Credit risk

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.

19. 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, 2006 and 2005:

	2006		2005	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash	P21,025,876	P21,025,876	P25,271,342	P25,271,342
Receivables	26,129,461	26,129,461	23,602,902	23,602,902
Due from stockholders	-	-	16,196,874	16,196,874
Available-for-sale investments	3,247,158	3,247,158	3,247,158	3,247,158
	P50,402,495	P50,402,495	P68,318,276	P68,318,276
Financial liabilities:				
Loans payable	P-	P-	P57,296,766	P57,296,766
Accounts payable and accrued expenses	28,475,044	28,475,044	28,108,765	28,108,765
Due to a stockholder	21,124,015	21,124,015	-	-
Payable to property owners	13,824,273	13,824,273	16,751,489	16,751,489
Customers' deposits	8,107,415	8,107,415	7,680,951	7,680,951
	P71,530,747	P71,530,747	P109,837,971	P109,837,971

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, 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 and other noncurrent liabilities 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.

20. Other Matters

Availment of Loans

In December 2005, CWC entered into a loan agreement with Development Bank of the Philippines (DBP) for the rehabilitation, expansion and improvement of its waterworks system for ₱137 million payable in fifteen (15) years inclusive of a maximum of two years grace period on principal.

In February 2006, CWC executed a deed of assignment relative to the loan, in favor of DBP 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, in February 2006, CWC, the Parent Company and its major stockholders mortgaged their real estate all situated in Calapan, Oriental Mindoro with an aggregate assigned value of ₱10.9 million in favor of DBP.

As of March 27, 2006, DBP has yet to release the loan or any portion thereof. However, the titles of the mortgaged property have already been delivered to DBP.

Events after Balance Sheet Date

On February 8, 2006, the Board of Directors has agreed that the Parent Company will act as guarantor for the acquisition of four parcels of lots situated at Puerto Galera, Oriental Mindoro by way of installment, of its subsidiary, GVI.

Reclassification of accounts

Certain accounts in 2004 were reclassified to conform to the 2005 financial statement presentation.

21. 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.

22. Note to Statements of Cash Flows

In 2006, the Parent Company paid its investment subscriptions 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 are held under a tax-free exchange pursuant to section 40 (c) (6) of the National Internal Revenue Code of 1997. However, as of December 31, 2006, the application is still under review by the Bureau of Internal Revenue.

23. Reclassification

Certain accounts in the 2005 financial statements have been reclassified to conform to 2006 presentation of accounts.