COVER SHEET

C	S	2	0	0	7	0	3	1	4	5

S.E.C. Registration Number

VISTA LAND & LIFESCAPES, INC.

(Company's Full Name)

LAS PINAS BUSINESS CENTER NATIONAL ROAD, TALON, LAS PINAS CITY

(Business Address : No. Street/City/Province)

Brian N. Edang
Contact Person

887-2264 loc 107
Company Telephone Number

1	2	3	1

Month *Day*
Calendar Year

17-A
FORM TYPE

0	6	1	5

Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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 fiscal year ended **December 31, 2007**

2. SEC Identification Number **03145** 3. BIR Tax Identification No. **006-652-678-000**

4. Exact name of issuer as specified in its charter **VISTA LAND & LIFESCAPES, INC.**

5. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
   Industry Classification Code:

7. **Las Pinas Business Centre, National Road, Talon, Las Piñas City**
   Address of principal office Postal Code

8. **(632) 874-5758 / (632) 872-6947**
   Issuer's telephone number, including area code

9. **N/A**
   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 Shares (12/31/2007)	**8,525,482,614 Shares** (net of 13,258,000 Treasury Shares)
Amount of Debt Outstanding	**₱1.48 billion**

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

    Yes [**x**] No [ ]

    Name of Stock Exchange: **Philippine Stock Exchange**
    Class of securities listed: **Common Stocks**

    8,538,740,614 Common shares have been listed with the Philippine Stock Exchange as of December 31, 2007.

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 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 [**x**] No [ ]

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

Yes [**x**] No [ ]

13. Aggregate market value of voting stocks held by non-affiliates:

₱20 billion as of December 31, 2007; ₱10 billion as of March 31, 2008

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ] No [ ] **NOT APPLICABLE**

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of SEC Form 17-A into which the document is incorporated:

Consolidated Financial Statements as of and for the year ended December 31, 2007 (incorporated as reference for Item 7 and 12 of SEC Form 17-A)

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PART 1 – BUSINESS

Item 1. Business

Overview

Vista Land & Lifescapes, Inc. (Vista Land) was incorporated in Metro Manila, Philippines, on February 28, 2007 as an investment holding company. Vista Land through its subsidiaries harnesses more than 30 years of professional expertise in residential real estate development, and believes it has established a nation-wide presence, superior brand recognition and proven track record. Its projects include master-planned developments and stand-alone residential subdivisions which offer lots and/or housing units to customers in the low-cost (which includes socialized housing), affordable, middle-income and high-end market segments. The Company operates through four distinct business units:

- ***Brittany*.** Brittany caters to the high-end market segment in Mega Manila, offering luxury houses in master-planned communities, priced at ₱9.0 million or above. In 2004, Brittany ventured into the high-rise residential condominium segment with the launch of Marfori Residences at Muntinlupa City, Metro Manila and has since launched two more vertical projects including Mosaic, in the Makati Central Business District;

- ***Crown Asia*.** Crown Asia caters to the middle market housing segment in Mega Manila, primarily offering houses priced between ₱3.5 million and ₱9 million;

- ***C&P Homes*.** For over 30 years, C&P Homes has been servicing the low-cost (including socialized) housing segment (houses priced below ₱1.3 million) and the affordable housing segment (houses priced between ₱1.3 million and ₱3.5 million) in the Mega Manila area.; and

- ***Communities Philippines*.** Communities Philippines offers residential properties outside the Mega Manila area in the low-cost, affordable and middle market segments. The Company believes Communities Philippines has the widest coverage of developments in the regions outside Mega Manila of any homebuilder in the Philippines. Communities Philippines offers housing under the "Camella" and "Crown Asia" brands and utilizes C&P Homes' and Crown Asia's expertise and designs to offer houses in regional areas that it believes are on par, in terms of quality, with the developments in the Mega Manila area. These projects were located in key cities and municipalities, covering most of the Philippines' main urban areas, including Pangasinan, Pampanga, Bulacan, Batangas, Iloilo, Cebu, Leyte, Cagayan de Oro and Davao.

Recent Developments

On March 9, 2007, C&P Homes, Inc. ("C&P") completed the restructuring of its obligations under certain floating rate notes ("FRNs") issued by C & P Homes International Limited, a wholly-owned subsidiary of C&P. The FRNs were guaranteed by C&P pursuant to a Trust Deed dated July 14, 1997 with Bankers Trustee Company Limited (now known as Deutsche Trustee Company Limited) as trustee. As of December 31, 2006, FRNs with total principal amount of approximately U.S.$133.5 million remained outstanding. On February 9, 2007, C&P approved a restructuring plan for the FRNs pursuant to which C&P offered to purchase all outstanding FRNs. Under this restructuring plan, C&P offered FRN holders the right to exchange the FRNs held by such holders such that for every U.S.$1,000 in principal amount of FRNs, such holders would receive a combination of long term notes with an aggregate face amount of U.S.$371 and 5,943 shares of C&P Homes. The restructuring plan provided further that FRN holders who did not accept the exchange offer would receive a cash settlement equivalent to U.S.$230 for every U.S.$1,000 in principal amount of FRNs. The restructuring plan was approved by FRN holders representing more than 90% of the outstanding FRNs through a written resolution dated February 26, 2007. On March 9, 2007, C&P Homes issued to FRN holders who accepted the offer, a total of 749,150,808 shares and long term notes in an aggregate face amount of U.S.$46,766,776. FRNs held by holders who did not accept the restructuring consideration were redeemed pursuant to the terms of the offer for an aggregate amount of U.S.$1,706,140.

On March 29, 2007, the Company entered into an exchange agreement with Fine Properties, Inc. ("Fine"), Polar Property Holdings Corp., Adelfa Properties, Inc., Althorp Holdings, Inc. and Cambridge Group, Inc. for the acquisition by the Company of all the shares held by such entities in Brittany Corp. ("Brittany"), Crown Asia Properties (North), Inc., Crown Asia Properties, Inc., Crown Communities Holdings, Inc., Crown Communities (Davao), Inc., Crown Communities (Iloilo), Inc., Crown Communities (Cebu), Inc. and Crown Communities (Pampanga), Inc. (collectively, the "Subsidiaries"), in exchange for 4,528,801,106 shares issued by the Company. As a result of the acquisition, the Company owns substantially all of the outstanding shares of the Subsidiaries.

On April 25, 2007, the Company entered into an agreement with Fine and Brittany which provided for the transfer to the Company of a total of 3,020,149,650 common shares in C&P held by Fine and Brittany in payment of Fine's subscription to a total of 3,020,149,650 shares of the Company. Subsequently, the Company acquired a total of 1,858,241,046 shares held by shareholders of C&P other than Fine and Brittany through a tender offer. Under the terms of the tender offer, every one share in C&P was exchanged for one share in the Company. Following the tender offer, the Company owned a total of 4,878,390,696 shares in C&P representing 99.34% of the total outstanding capital stock of C&P Homes as of June 15, 2007.

On May 24, 2007, the Philippine Stock Exchange ("PSE") approved the listing by way of introduction of the entire outstanding capital stock of the Company, consisting of 6,388,042,151 common shares. The Vista Land common shares were listed on the First Board of the PSE on June 25, 2007.

On July 26, 2007, the Company issued 2,120,000,000 new shares as part of its secondary offering at ₱6.85 per share.

Development of the business of the registrant and its key operating subsidiaries or affiliates

Vista Land & Lifescapes, Inc. – parent company was incorporated on February 28, 2007 and was listed on the PSE on June 25, 2007.

Brittany Corporation – incorporated in May 29, 1984, 99.96% owned by Vista Land, offers luxury houses to the high-end market segment. The company's project over the past three years includes Portofino, Crosswinds, La Posada, Mosaic and Avant.

Crown Asia Properties, Inc. – incorporated in August 31, 1995, wholly owned by Vista Land, offers house and lot packages to the middle market segment. Projects of the Company for the past three years include Citta Italia, Maia Alta and Ponticelli.

C&P Homes, Inc. – incorporated in December 1994, 99.97% owned by Vista Land, offers house and lot packages to the low and affordable market segment. Projects of the Company for the past three years include Tierra Nevada, Nova Romania, Cerritos, Pacific Residences and Trevi Towers.

Crown Communities Holdings, Inc. – incorporated in April 12, 1996, 99.98% owned by Vista Land, offers house and lot packages outside Mega Manila area in the low-cost, affordable and middle market segments. Projects of the Company for the past three years include Savannah in Iloilo, Plantacion Meridienne in Batangas, Solariega in Davao, Frontera in Cagayan de Oro Azienda Milan in Cebu and Wedgewood in Pangasinan.

Land acquisition

The Company sources land for its projects either through direct purchase or through joint venture arrangements with land owners. As a matter of policy, the Company conducts due diligence before acquiring any property or entering into any joint venture. The evaluation process focuses on 4 major factors: (a) legality of the documents covering the piece of property; (b) valuation of the property; (c) technical characteristics of the property; and (d) other factors impacting on the suitability and feasibility of future projects.

The Company prefers to acquire land or enter into joint ventures to develop land that has already been titled (i.e., covered by a Transfer Certificate of Title). The Company has specialists who conduct extensive checks on both the owner involved and the land itself, with a particular focus on the veracity of the title over the land, and that it can be traced back to the original judicial decree granting title over the land. As and when needed, the Company also engages third parties, such as surveyors and engineers, to verify that the land it seeks to acquire is covered by the technical description of the title.

The Company also conducts its own appraisal process of the asking price of the property under consideration by reference to comparison with other similar properties in the market; and an assessment of the potential income derivable from any development suitable for the property and the calculated value of the land given the potential income.

Before directly acquiring land or entering into a joint venture arrangement with a land owner, the Company conducts engineering and environmental assessments in order to determine if the land is suitable for construction. The land must be topographically amenable to housing development.

The Company has developed specific procedures to identify land that is suitable for its needs and performs market research to determine demand for housing in the markets it wishes to enter.

These factors include:

- the general economic condition of the broad environment of the property;
- suitable land must be located near areas with sufficient demand or that the anticipated demand can justify any development;
- site's accessibility from nearby roads and major thoroughfares;
- the availability of utility infrastructure, such as electric transmission facilities, telephone lines and water systems; and
- the overall competitive landscape and the neighboring environment and amenities.

The Company also considers the feasibility of obtaining required governmental licenses, permits, authorizations, and adding necessary improvements and infrastructure, including sewage, roads and electricity against a purchase price that will maximize margins within the limits of available financing.

Joint ventures

Historically, the Company has grown its land bank primarily through direct purchases. In the past three years, however, the Company has begun to enter into joint venture agreements with land owners. These joint venture arrangements offer certain advantages to the Company, particularly because the Company is not required to pay for the land in advance. The Company's interest in these joint ventures varies depending on the value of the land against the estimated development cost. The Company holds a majority interest under most of its existing joint venture arrangements.

Historically, the Company has not experienced any material difficulties in finding joint venture partners to supply land and currently does not expect to experience any such difficulties in the future. The Company believes that this is due to its track record of reliability and of successful projects, particularly in the suburban areas where many of the Company's projects have been located, which gives its joint venture partners confidence that their project will be handled successfully. Further, there is a prevalence of land owners in the Philippines who wish to develop their land but who may not have the resources, both financial and expertise, to do so. The Company has also entered into joint venture agreements with commercial banks, such as BDO Uni Bank (formerly Equitable PCI Bank), Union Bank and United Coconut Planters Bank (UCPB), to develop specific assets of the banks.

The Company's joint venture arrangements typically require the joint venture partner to contribute the land to the project, with the Company bearing all costs related to land development and the construction of subdivision facilities. The Company and its joint venture partner then agree on which of the resulting subdivided saleable lots will be allocated to the Company and which lots will be allocated to the joint venture partner, in accordance with their respective joint venture interests.

Sales and marketing costs are allocated to both the Company and the joint venture partner, with the joint venture agreement specifying a percentage of the contract price (typically 12.0% to 15.0%) for the lots allocated to the joint venture partner as the sales and marketing costs (including commissions to brokers) attributable to the sale of such lots. However, the Company is responsible for organizing and conducting actual sales and marketing activities.

The joint venture partner is also required to warrant his/her title over the land and, if necessary, to clear the land of tenants and informal occupants before the Company commences development work on the land. All costs relating to clearing the land of tenants and informal occupants are the responsibility of the joint venture partner, although the Company may provide cash advances to cover a portion of these costs, which will then be deducted from any sale proceeds attributable to the joint venture partner.

Project development

After extensive site evaluation by the Company and certain third party contractors and the land has been acquired (either directly or through a joint venture agreement) and the Company has decided to develop such land, the Company will begin the project development process.

Before the site development process can begin, the Company must obtain regulatory approvals and clearances from various Government departments. These include the Department of Environment Natural Resources and the Department of Agrarian Reform, as well as from the local government unit with jurisdiction over the area where the project will be located.

The site development process involves the planning of the potential project, including determination as to the suitable market segment, master planning, design of houses and landscape design. Development timetables vary from project to project, as each project differs in scale and design. Typically, site development after land acquisition takes at least one year, during which time the Company prepares both the master plan for the entire project (which can take several months and may be revised over the course of the project) and detailed plans for each project phase (which can take up to two months), obtains the necessary Government approvals and permits and conducts pre-marketing activities. Once the project has received a development permit from the relevant local government unit and a permit to sell from the Housing and Land Use Regulatory Board, pre-sales of subdivision lots can begin (often on an initial phase of the project), as well as some initial development work on the project site. Future expansion of the project will depend on the level of sales. As one phase is sold, a new phase of the project will be open for sales and this process is repeated until project completion.

The Company, as often as possible, utilizes its in-house design capabilities and market research data to plan developments. Aside from determining the feasibility of a project, the objective of this study is to determine the property type to develop (i.e., whether a project will be developed as a lot-only project, a house and lot project or a combination of both). The Company believes that its extensive experience and expertise in residential real estate development allows it to reduce costs, maintain competitive prices and increase sales. From time to time, the Company hires third-parties to design and plan projects. The work performed by these third-parties must comply with specifications provided by the Company and, in all cases, is subject to the Company's review. In particular, the Company hires third-parties, including international firms, to design projects which are complex and require specific technical expertise and to design specific high-end projects.

Typically, projects in the socialized sector are developed with a view to generating house-and-lot sales, while projects in the affordable sector are developed to generate a mix of lot-only and house-and-lot sales. Middle-income and high-end projects normally generate a greater proportion of lot-only sales, because customers for these projects purchase the lot with a view to future

development or would prefer to construct housing units of their own design and built to their specifications. The Company may also sell an initial phase of a project on a lot-only basis but later on develop additional phases with a view to generating house-and-lot sales.

For its housing units, the Company internally develops the construction designs. The Company's architects and engineers are trained to design structures to maximize efficiency and minimize production costs. The Company's current designs allow customers to upgrade finishing details on a customized basis after the housing units are delivered and future vertical expansion through the addition of a second storey. The Company will continue to invest in the development of design and planning construction to further reduce costs and continue to meet customer needs.

Congruent with the over-all strategy of creating unique themed developments, the Company also develops and implements specific design parameters for houses to be built in its middle-income and high-end subdivision projects. This helps the Company market each project based on a particular design aesthetic and its own unique characteristic and personality. The Company takes inspirations from well-established and unique architectural designs from the Mediterranean, the Swiss Alps, Italy, San Francisco, the Caribbean and the American South. In themed residential developments, the Company also requires that houses built by customers that have bought lots only conform to the specific architectural theme.

The Company finances the development of projects through a combination of pre-sales and internally-generated funds, particularly for the construction of common areas and facilities during the early stages of a project. The Company also maintains some flexibility in timing the progress of its development projects to match the progress of pre-sales. Thus, the progress of a development is greatly influenced by the level of pre-sales. As one phase is sold, a new phase of the project will be opened for pre-sale and the process is repeated until the project completion. From time to time, the Company sells receivables to help finance larger housing and land development projects.

Site development and construction

Site development and construction work for the Company's projects is contracted out to various qualified and accredited independent contractors. For larger projects, such as site development work, contracts are awarded on the basis of competitive bidding. For smaller-scale projects, such as the construction of certain structures within a project or of specific housing units, the Company will directly contract specific contractors based on its previous experience with such contractor for a specific type of project. In all cases, the Company’s accreditation procedure takes into consideration each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments. The Company maintains relationships with various accredited independent contractors and deals with each of them on an arm's-length basis. The Company is not and does not expect to be dependent upon one or a limited number of suppliers or contractors.

The Company does not enter into long-term arrangements with contractors. The awarded contracts typically cover the provision of contractor's services in relation to a particular project or particular housing units. To ensure compliance with Company requirements and to maintain the quality of the developments, the Company has a team of project engineers who perform the following functions:

- Directly managing site development and construction activities;
- Coordinating the activities of the Company's contractors and suppliers;
- Overseeing quality and cost controls; and
- Ensuring compliance with zoning and building codes and other regulatory requirements.

Typically, the Company enters into fixed-price contracts with its contractors, with the cost of materials included as part of the price.

Site development work or housing unit construction will typically take three (3) to twelve (12) months to complete depending on the size.

Most construction materials are provided by the contractors themselves in accordance with the terms of their contracts. In certain cases, the Company guarantees payment to the Company-specified suppliers for purchases by contractors of construction materials. In these cases, the Company makes direct payments to such suppliers, with the amounts paid by the Company for construction materials deducted from payments to the contractors.

Progress payments are made to contractors during the term of the contract based on the accomplishment of pre-determined project performance milestones. The Company usually retains 10.0% of each progress payment in the form of a guarantee bond or cash for up to one year from the date the contracted work is completed and accepted by the Company. The amounts retained are used to meet contingency costs, such as addressing claims from purchasers thereby limiting the financial burden on the Company.

Research and Development

While the Company engages in research and development activities focusing on the types of construction materials used for its housing units, construction methodology, value-engineering for its projects and quality assurance, the expenses incurred by the Company in connection with these activities are not material. The Company's research and development activities include organizing regular trips for its operations personnel, architects and engineers to various cities in America and Europe to enable them to become more attuned to high quality developments and latest trends from overseas.

Insurance

The Company has insurance coverage that is required in the Philippines for real and personal property. Subject to the customary deductibles and exclusions, the Company's insurance policies include coverage for, among other things, buildings and improvements, machinery and equipment, furniture, fixtures and fittings against damage from fire and natural perils, machinery breakdown, third-party liability to the public and construction works. The Company does not carry business interruption insurance.

Sales and Marketing

The Company believes it has one of the most extensive marketing networks of all Philippines housing development companies.

Local Marketing Network

The Company's local marketing and distribution network of independent contractors and agents consists of approximately 715 teams, with a combined total of approximately 11,506 active agents. Of the 715 marketing teams, 635 are accredited realtors, 70 are exclusively contracted marketing teams, and 10 teams are direct marketing groups.

The Company believes that it offers its marketing teams competitive compensation terms. The Company's commission structure and incentive schemes vary relative to the network's affiliation and sales structure.

The Company's exclusively contracted marketing teams are compensated through a monthly allowance and are provided administrative support by the Company, including office space and expense allowances. Broker companies are compensated with relatively higher commissions with funding allocations for business development programs.

International Marketing Network

The Company believes that the OF population constitutes a significant portion of the demand for its housing and land development projects. The demand comes from both the direct purchase by

the OF or purchase by relatives of the OF financed by OFW remittance. As such, the Company seeks to adequately service and reach the OF and international markets. For that purpose, the Company has established an extensive international marketing network.

This network consisted of 54 partners and 1,700 independent agents as of December 31, 2007. Through this network, the Company is well-represented in key cities abroad with the highest concentration of OF communities. The Company's presence is significant in countries and continents such as North America, Europe, Middle East and Asia including Japan. These international brokers are established in their respective areas and serve as the Company's marketing and promotion agents in their territories, to promote the Company and its products. In addition, some of these agents who bought houses from the Company in the past. The Company believes that its long standing relationships with these agents over the years distinguish it from its competitors.

The Company, together with these international brokers and agents, regularly sponsors roadshows and participates in international fairs and exhibits, Filipino social and professional gatherings, and other OF related events.

Awareness efforts are primarily conducted through sustained TV advertising on The Filipino Channel and print advertising on national and geo-based publications. As added support, the Company through this special division called Prime Properties International has set-up support marketing groups focused on and dedicated to servicing the international market.

Marketing Support

The Company's sales and marketing efforts include but are not limited to:

- tri-media advertising campaigns, including maintenance of billboards in strategic locations;
- maintenance of sales booths and product exhibits in pre-selected locations;
- project site activities such as Property Preview and Grand Open House activities;
- direct mailing campaigns;
- saturation drives; and
- regular monthly meetings.

In addition, the Company engages in non-traditional marketing efforts such as:

- telemarketing;
- sponsorship of concerts, conventions and other events;
- corporate presentations;
- strategic alliances with other marketing channels; and
- cyberspace marketing and e-based transactions.

The Company also has below-the-line marketing efforts, including producing and providing the sales force with brochures, leaflets, handouts and other sales materials.

Recruiting and training

Due to its growing number of projects and the continuous expansion of existing developments, the Company seeks to recruit and maintain quality sales people. This is achieved by continuous training of the sales force conducted by the in-house training group as well as by professional consultants. Recruitment is an on-going activity, encouraged by the Company to continuously search for individuals and sales groups with potential and/or proven track record in sales.

Customer financing

As customer financing is a critical element in the success of the Company's housing and land development business, the Company offers 4 modes of financing:

- cash purchases;

- bank financing;

- in-house financing; and
- Government-assisted financing.

Under these four major modes of payments, the Company designs flexible and creative financing packages for its customers to make their acquisitions possible.

Cash-basis acquisitions are given special discounts. Negotiated discounts are also allowed for accelerated payment schedules and other bulk payments. This is to encourage capable buyers to pay upfront for their property acquisition.

Specific to the socialized market, the Company provides assistance to its customers in obtaining financing from the Government. Government-subsidized loans under the GFI programs still continue to be the largest source of purchaser financing for the socialized market.

For the affordable, middle and upscale markets, mortgage loans from private banks are available. These are offered to buyers who are perceived to be acceptable credit risks. To streamline the loan processing application, the Company has arrangements with several banks regarding the financing of unit purchases.

The Company also offers in-house financing to buyers who either do not qualify or do not wish to avail of bank or government financing. Further, there are cases wherein in-house financing schemes serve as stepping stones to facilitate transactions. In these instances, the buyers use the in-house financing facility but convert to bank financing within a certain period.

In-house financing

The Company has established processes and procedures designed to screen homebuyers applying for in-house financing to ensure that they are financially capable of paying their monthly amortizations. The Company conducts strict and thorough credit checks which include but are not limited to:

- employment/career/business background checks;
- credit card verification using national credit databases; and
- conducting physical verification of claims regarding residences and properties owned by the buyer.

The Company typically finances 80.0% of the total purchase price of the property being sold. The loans are then repaid through equal monthly installments over periods ranging from five to 10 years. The interest rates charged by the Company for in-house financing typically range from 16% per annum to 19% per annum, depending on the term of the loan, with the financing agreement providing for an escalation of the interest rate in the event of a general rise in interest rates charged by the banks and other financial institutions.

Where a buyer has obtained in-house financing for a purchase, the Company will retain the title to the property until full payment of the loan. During this period, if the buyer defaults on the payment of the monthly installments due, the Company has the right to cancel the sale and retain payments already made by the buyer.

Mortgage loans

Mortgage loans from commercial banks are available to individuals who meet the credit risk criteria set by the relevant bank and those who are able to comply with such bank's documentary requirements and credit investigation. To assist prospective buyers obtain mortgage financing from commercial banks, the Company has arrangements with several commercial banks, such as BDO, PS Bank, BDO, UCPB, RCBC Savings Bank and Metropolitan Bank & Trust Co., to assist qualified customers to obtain financing for housing unit purchases. Further, the Company ensures

that all its units are properly and completely documented to adequately comply with the bank's requirements.

In addition to taking security over the property, a bank may also seek repayment guarantees from the Home Guaranty Corporation ("HGC"). The HGC is a Government-owned and controlled corporation that operates a credit guaranty program in support of the Government's efforts to promote home ownership. It provides risk guarantees and fiscal incentives for loans and credit facilities for residential purposes provided by banks and financial institutions. In the event a buyer defaults in connection with an HGC-registered loan or credit facility, the HGC guarantees the payment to the extent of the outstanding balance, interest and yield. The interest and yield on loans and credits guaranteed by the HGC is exempt from taxation.

Customer service and warranties

The Company believes it is important to ensure that quality service is afforded to homebuyers throughout and after the relevant sales period, including during house lay-out, construction, move-in and introduction to the homeowners' association. The Company's Customer Care Department (the "CCD") has qualified staff dedicated to addressing these concerns.

Apart from the standard contractual warranties on the purchased unit, for each project the Company engages the services of a professional property management group which oversees the affairs of the homeowners' association. This helps homebuyers to achieve a smooth introduction to their new neighborhood and further enhances good customer relations. The property management group's functions include financial management, security, landscape maintenance and association social activities.

Pre-construction procedures

Homebuyers are advised on the commencement of the house construction. A pre-lay out discussion is initiated by the CCD with the homebuyer and the technical team which includes the plans showing actual lay-out of the house on a selected lot. The meeting also serves as the venue where homebuyers have the option to decide on various matters including house color, grillework designs or other aspects available for buyer's choice, depending on the package or the subdivision. The CCD representative proceeds to discuss the highlights on the house plan, house specifications and a brief on the policies and guidelines of the Homeowner's Association.

Construction stage

At this stage, the production team takes over and starts the actual construction of the unit. However, the CCD still takes active part by coordinating with the homebuyers and updating them on the developments of his housing unit. At any time of the construction, the homebuyer can opt to enroll in a CCD program where he can schedule a visit and inspection of his housing unit with the assistance of a technical staff who will be on hand to explain or answer any questions or requests.

Move-in and introduction to homeowners' association

Upon completion of the house, the CCD facilitates turn-over of the unit to the homebuyer. This includes delivery of certificates of warranty/guarantee on the housing unit and a comprehensive homeowner's kit. The Company has an established system to address homebuyer's concerns especially in the first 3 months of move-in. The Company puts great emphasis on the timing of responding to any such concerns, ensuring that repairs/rectification procedures are at par with the Company's standards. While there is a standard policy on repairs, the Company, on a case-to-case basis, extends its services beyond these procedures to better achieve total customer satisfaction.

Bankruptcy, Receivership or Similar Proceeding

None for any of the subsidiaries and affiliates above.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not ordinary) over the past three years

None

Various diversification/new product lines introduced by the Company during the last three years

None

Competition

The residential development market in the Philippines is intensely competitive. The Company has significant competitors for its residential housing and land development business. Compared to the commercial real estate and high-rise residential building markets, which require the resources to acquire land in expensive urban areas and the experience to manage these projects successfully, horizontal residential housing and land development projects have relatively lower barriers to entry. Because of the availability of joint venture arrangements with landowners and the ability to finance these projects through unit pre-sales, it is relatively easy for smaller players to enter into this business. There is, therefore, competition for land that is suitable for project development. There is also competition among various developers for residential real estate brokers.

Currently, the Company's competitors include companies such as Ayala Land Inc., Filinvest Land, Inc., DMCI Development Homes Inc., Extraordinary Development Corporation, Sta-Lucia Realty, Megaworld, Robinsons Land and others. On the basis of publicly available information and its own market knowledge, the Company's management believes that it is the leader in the real estate housing sector. The Company's management also believes that the Company is able to offer competitive commissions and incentives for brokers, and that the Company is able to compete on the basis of the pricing of its products, which encompasses products for different market sectors, as well as its brand name and its track record of successful completed quality projects.

The Company expects to face strong competition in the condominium market. The Company believes that its main competitors in these markets will include companies such as Ayala Land Inc., Filinvest Land, Inc., Megaworld, Robinsons Land and others.

Supplier

The Company has a broad base of suppliers.

Customers

Vista Land has a broad market base including local and foreign individual and institutional clients.

Transactions with related parties

Please refer to Item 12 of this report (“Certain Relationships and Related Transactions).

Intellectual Property

The Company, through its subsidiaries, has a number of trademarks for its development projects as well as applications for the registration of various trademarks of its property developments pending with the Philippine Intellectual Property Office. These trademarks are important in the aggregate because name recognition and exclusivity of use are contributing factors to the success of the Company’s and its subsidiaries property developments. In the Philippines, certificates of registration of a trademark filed with the Philippine Intellectual Property Office prior to the effective date of the Philippine Intellectual Property Code in 1998 are generally effective for a period of 20 years from the date of the certificate, while those filed after the Philippine

Intellectual Property Code became effective are generally effective for a shorter period of 10 years, unless terminated earlier. The Company has also registered a number of the business names it uses for its property developments with the Department of Trade and Industry. Registering a business name with the Department of Trade and Industry precludes another entity engaged in the same or similar business from using the same business name as one that has been registered. A registration of a business name shall be effective for five years from the initial date of registration and must be renewed within the first six months following the expiration of the five-year period from the date of original registration.

Government approvals/regulations

The Company secures various government approvals such as license to sell, development permits, environmental compliance certificate, etc. as part of the normal course of its business

Employees

As of December 31, 2007, the Company, through its subsidiaries, had a total of 325 employees. This is broken down by function as follows:

Function	Number of employees
Operations	90
Administrative	135
Technical	100
Total	**325**

Though the Company intends to hire additional employees to handle the expected continued increase in the volume of operations, it does not anticipate a significant increase in the number of employees in the next 12 months.

The Company has no collective bargaining agreements with its employees and none of the Company's employees belong to a union. The Company believes it has a good relationship with its employees and no key employees left the Company during the past three years.

The Company provides employees with on-the-job-training and other development programs that assist them in effectively carrying out their jobs and that prepare them for career advancement in the Company.

The Company continuously strives to position itself as an employer of choice in the Philippine real estate industry. It offers what it believes to be competitive salary and benefits packages that allow it to compete in the job market for quality employees. The Company has no employee stock option plan.

Risks related to the Companies Business

Risks relating to competition

The Philippine residential real estate industry is highly competitive. Vista Land's income from sales of its projects and market values of its current housing and land development projects and land holdings are affected by the projects' market awareness level, market acceptance rate, and proven and perceived product advantage when compared to similar types of projects in their immediate neighborhood and broader environment. The income and values are also affected by the ability of Vista Land to correctly assess the market for its projects. Important factors that could affect Vista Land's ability to effectively compete include: (a) a project's location versus that of its competitors; (b) presence and/or proximity to transportation facilities, commercial centers, educational and medical institutions, service and convenience retail establishments; (c) the total quality of the housing project and related facilities offered by Vista Land; (d) and the overall, tangible and intangible, attractiveness of the project.

To mitigate this risk, Vista Land conducts regular market study and business intelligence updates in order to understand industry and market dynamics.

Risks relating to land acquisition and landbank management

The Company's future growth and development depends on continuous development of land, whether acquired or controlled through joint venture. The Company faces strong competition from fellow developers for ideal parcels of land suitable for development. In addition other factors make the task of acquisition difficult, including (a) ideal location; (b) suitable size; (c) economically acceptable price; and (d) legal and informal settler issues. In this area of the Company's operations, it faces greater difficulty in sourcing parcels of land located within Metro Manila and other urban areas throughout the Philippines.

The Company may have difficulty in attracting land owners to enter into joint venture agreements with it. Key issues revolve around profit and development cost sharing which affect expected investment returns. Other issues could be differences in intangible objectives, land ownership squabbles and other non-economic hindrances.

In the event the Company is unable to acquire suitable land, or to enter into agreements with joint venture partners to develop suitable land at acceptable prices, with reasonable returns, or at all, its growth prospects could be limited and its business and results of operations could be adversely affected.

The Company mitigates this risk by having an in-house group composed of senior managers whose primary responsibility is to search (for suitable properties), negotiate (including joint-venture options), acquire and manage its strategic land bank. The land bank management group is comprised of technical, finance and legal experts, and is aided by the Company's network of brokers. The Company also maintains goodwill amongst the owners of major tracts of land in the Philippines. Through the foregoing, the Company continually identifies attractive locations for future projects, prospective partners and negotiates joint venture arrangements to ensure a long-term pipeline of developmental projects.

a) The Company also faces risks relating to the management of its land bank, which could adversely affect its margins.

   The land banking function is critical to the success and future operations of the Company. The Company must continuously acquire land for replacement and expansion of land inventory within its current markets. The risks inherent in purchasing and developing land increase as consumer demand for residential real estate decreases. The market value of land, subdivision lots and housing inventories can fluctuate significantly as a result of changing market conditions. The Company cannot assure investors that the measures it employs to manage land inventory risks will be successful. In the event of significant changes in economic, political, security or market conditions, the Company may have to sell subdivision lots and housing units at significantly lower margins or at a loss. Changes in economic or market conditions may also require the Company to defer the commencement of housing and land development projects. This would require the Company to continue to carry the cost of acquired but undeveloped land on its balance sheet, as well as reduce the amount of property available for sale. Any of the foregoing events would have a material adverse effect on Vista Land's business, financial condition and results of operations.

   The Company mitigates this risk by having an in-house group composed of senior managers whose primary responsibility is to search (for suitable properties), negotiate (including joint-venture options), acquire and manage its strategic land bank. The land bank management group is comprised of technical, finance and legal experts, and is aided by the Company's network of brokers. The Company also maintains goodwill amongst the owners of major tracts of land in the Philippines. Through the foregoing, the Company continually identifies attractive locations for future projects, prospective partners and negotiates joint venture arrangements to ensure a long-term pipeline of developmental projects.

b) Titles over land owned by the Company may also be contested by third parties.

The Philippines has adopted a system of land registration which is intended to conclusively confirm land ownership, and which is binding on all persons (including the Government); however, it is not uncommon for third parties to claim ownership of land which has already been registered and over which a title has been issued. There have also been cases where third parties have produced false or forged title certificates over land. From time to time the Company has had to defend itself against third parties who claim to be the rightful owners of land which has been either titled in the name of the persons selling the land to the Company or which has already been titled in the name of the Company.

Historically, these claims have not had a material adverse effect on the Company and its business, but in the event that a greater number of similar third-party claims are brought against the Company in the future, or any such claims are made against land that is material to the Company's housing and land development projects, the Company's management may be required to devote significant time and incur significant costs in defending against such claims. Should any of these claims prosper, the Company may have to either incur additional costs to settle such third-party claims or surrender title to land that may be material in the context of the Company's housing and land development projects. Any of the foregoing circumstances could adversely affect the Company's business, financial condition and results of operations, as well as on its business reputation.

To mitigate this risk, the Company uses legal and technical research to establish the integrity of the legal title to any piece of land before concluding any transaction, be it an acquisition or joint venture.

Risks relating to joint-venture agreements and transactions

The interests of joint venture partners for the Company's housing and land development projects may differ from the Company's and they may take actions that adversely affect the Company.

The Company enters into joint venture agreements with landowners as part of its overall land acquisition strategy and intends to continue to do so. Under the terms of most of these joint venture agreements, the Company takes responsibility for project development and project sales, while its joint venture partner typically supplies the land for development. A joint venture involves special risks where the joint venture partner may have economic or business interests or goals that are different from those of the Company's. The joint venture partner may also take actions contrary to the Company's instructions or requests, or in direct opposition to the Company's policies or objectives with respect to the real estate investments, or the joint venture partner may not meet its obligations under the joint venture arrangement. Disputes between the Company and its joint venture partner could arise after significant capital investments in a project have been made, which could result in the loss of some or all of the Company's investment in the project and consequently have a material adverse effect on the Company's results of operations and financial condition.

To mitigate this risk, the Company as a standard policy ensures that a binding agreement/contract with any joint-venture partner is made at the start of any partnership. Further, a constant open communication is maintained with all business partners.

Risk relating to property development and construction management

a) The Company is in a business that carries significant risks distinct from those involved in the ownership and operation of established properties. This includes the risk that the Company may invest significant time and money in a project that may not attract sufficient levels of demand in terms of anticipated sales and which may not be commercially viable. Slippages may occur in obtaining required Government approvals and permits, resulting in more costs than anticipated, or inability to complete the project on schedule and within budget.

   Likewise, the time and the costs involved in completing the development and construction of residential projects can be adversely affected by many factors, including: (a) shortages of materials, equipment, skilled labor; (b) adverse weather conditions; (c) peso depreciation; (d)

natural disasters; (e) labor disputes with contractors and subcontractors; (f) accidents; (g) changes in laws or in Government priorities; and (h) other unforeseen problems or circumstances. Where land to be used for a project is occupied by tenants and/or informal settlers, the Company may have to take steps, and incur additional costs, to remove such occupants and, if required by law, to provide relocation facilities for them. Any of these factors could result in project delays and cost overruns, which could negatively affect the Company's margins. This may also result in sales and resulting profits from a particular development not being recognized in the year in which it was originally expected to be recognized, which could adversely affect the Company's results of operations for that year. Further, the failure by the Company to complete construction of a project to its planned specifications or schedule may result in contractual liabilities to purchasers and lower returns.

The Company cannot provide any assurance that such events will not occur in a manner that would materially and adversely affect its results of operations or financial condition.

To mitigate this risk, the Company continuously seeks to improve its internal control procedures and internal accounting and to enhance project management and planning. Further, the Company substantially finances its development projects through pre-sales and internally generated funds, which allows it to maintain some flexibility in timing the progress of its projects to match market conditions.

b) The Company relies to a significant extent on independent contractors for the development and construction of the Company's products. Their availability and quality of workmanship may not meet the Company's quality standards, or cause project delays and cost overruns. The Company's reputation will be adversely affected if projects are not completed on time or if projects do not meet customers' requirements.

The Company relies on independent contractors to provide various services, including land clearing and infrastructure development, various construction projects and building and property fitting-out works. There can be no assurance that the Company will be able to find or engage an independent contractor for any particular project or find a contractor who is willing to undertake a particular project within the Company's budget, which could result in costs increases or project delays. Further, although the Company's personnel actively supervise the work of such independent contractors, there can be no assurance that the services rendered by any of its independent contractors will always be satisfactory or match the Company's quality standard requirements. Contractors may also experience financial or other difficulties, and shortages or increases in the price of construction materials may occur, any of which could delay the completion or increase the cost of certain housing and land development projects, and the Company may incur additional costs as a result thereof. Any of these factors could have a material adverse effect on the Company's business, financial condition and results of operations.

If any of the Company's projects experience construction or infrastructure failures, design flaws, significant project delays, quality control issues or otherwise, this could have a negative effect on the Company's reputation and make it more difficult to attract new customers to its new and existing housing and land development projects. Any negative effect on the Company's reputation or its brand could also affect the Company's ability to pre-sell its housing and land development projects. This would impair the Company's ability to reduce its capital investment requirements. The Company can not provide any assurance that such events will not occur in a manner that would adversely affect its results of operations or financial condition.

As with most major property development companies, the Company manages these development and construction risks by ensuring that contractual arrangements with builders, engineers, suppliers and other contractors clearly specify costs, responsibilities and the appropriate benefits or penalties that may accrue to all parties in the event of favorable or adverse developments. The Company also maintains an experienced in-house team of engineers and technicians who are tasked to oversee and manage each project. As and when needed, the Company may also avail of the services of independent project managers and quantity surveyors to supplement its in-house project management capabilities.

Risks relating to specific target markets

Vista Land's sales to OFWs and expatriate Filipinos comprise a significant portion of the Company's revenues. While the Company sees this segment as continuously growing, and providing it with buyers in the years to come, it is also prone to downturns, which can affect the Company's performance. These downturns may lead to (a) reduced deployment of new OFWs; (b) reduced remittances from abroad; (c) a lower purchasing power of expatriate Filipinos than currently enjoyed; or (d) any combination or all of the above, and could adversely affect demand for Vista Land's projects from OFWs and expatriate Filipinos. Such reduction in demand could have a material adverse effect on Vista Land's business, financial condition and results of operations.

To mitigate the possible impact of a sudden downturn in the OFW market, it is Vista Land's business strategy to diversify its product offerings to serve as wide a market as possible. Any adverse developments in any one property sector may be offset or mitigated by more positive developments in other sectors. The Company also closely monitors the factors that may affect the OFW market so that Vista Land can take the necessary corrective measures.

Risks relating to external marketing groups

The Company engages third-party brokers to market and sell its residential housing and land development projects domestically and internationally. It is a known practice in the Philippine real estate industry that these same brokers may also be promoters and sellers for other developers in the same markets in which the Company operates. More importantly, there can be no assurance that they will not favor the interests of their other clients over the interests of the Company in any lease or sale opportunities, or otherwise act in the Company's best interests.

The intense competition for the services of reputable and successful third-party brokers in the Philippines impels industry competitors to try to recruit brokers away from competing companies. The Company is not immune to such attempts. Competitors of the Company attempt to recruit brokers away from the Company from time to time. If a large number of these third-party brokers were to stop selling for the Company, this could disrupt the Company's business and negatively affect its financial condition, results of operations and prospects.

The Company mitigates this risk by establishing its own in-house sales force, who are tasked to market and sell only Company products. The Company also provides its brokers and sales agents with competitive commission schemes and other incentives. Beyond this, the Company gives its sales force skills-build-up programs as a way of planning and managing their career growth with the Company. A parallel effort is the continuous recruitment of competent brokers and sales agents.

Risks relating to project and end-buyer financing

a) Fluctuations in interest rates, changes in Government borrowing patterns and Government regulations could have a material adverse effect on Vista Land's and its customers' ability to obtain financing.

   Interest rates, and factors that affect interest rates, such as the Government's fiscal policy, could have a material adverse effect on Vista Land and on the demand for its products. For example:

   - In connection with Vista Land's property development business, higher interest rates make it more expensive for Vista Land to borrow funds to finance ongoing projects or to obtain financing for new projects.

   - Because a substantial portion of the Company's customers procure financing (either from banks or using the Company's in-house financing program) to fund their property purchases, higher interest rates make financing, and therefore purchases of

real estate, more expensive, which could adversely affect demand for the Company's residential projects.

In order to mitigate these risks, Vista Land substantially finances its development projects through pre-sales and internally generated funds. In this way, Vista Land maintains some flexibility in timing the progress of its development projects to match market conditions. Vista Land attempts to keep its costs down and selling price stable by lowering material costs through purchasing in bulk.

b) Vista Land is exposed to risks associated with its in-house financing activities, including the risk of customer default, and it may not be able to sustain its in-house financing program.

The Company offers in-house financing to customers, which may expose the Company to risks of customers missing on their payments and/or defaulting on their obligations that may lead to sales cancellations. The Company cannot adequately assure the resale of any property whose prior sale has been cancelled.

The Company has used funds obtained from receivables rediscounting facilities with commercial banks to balance its liquidity position. An inability to sell receivables would remove a source of potential external financing, increasing its reliance on internally generated funds or non-receivable external financing.

To mitigate these risks, the Company attempts to decrease the occurrence of financial defaults and sales cancellations due to the inability to pay by enforcing strict credit investigation policies and procedures. For ongoing in-house loans, the Company monitors each and every account to assist buyers and to provide immediate remedial measures in problem cases. The Company also spreads the financing risk by encouraging buyers to avail of commercial bank retail financing facilities.

c) The Company's business and financial performance could be adversely affected by a material number of sales cancellations.

As a developer and seller of residential real estate, the Company is subject to Republic Act No. 6552 (the "Maceda Law"), which applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units. Under the Maceda Law, buyers who have paid at least two years of installments are granted a grace period of one month for every year of paid installments to cure any payment default. If the contract is cancelled, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer, with an additional 5% per annum in cases where at least five years of installments have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two years of installments and who default on installment payments are given a 60-day grace period to pay all unpaid installments before the sale can be cancelled, but without right of refund.

Historically, the Company has not experienced a material number of cancellations to which the Maceda Law has applied; however, this is no assurance that such an event will not happen. An economic downturn, high interest rate episodes, and others could trigger such sales cancellations. Should this happen, the Company may not have enough funds on hand to pay the necessary cash refunds to buyers, or the Company may have to incur indebtedness in order to pay such cash refunds. As mentioned earlier, the Company cannot assure the resale of a cancelled property, particularly during periods of economic slowdowns or downturns. Any of these events would adversely affect the Company's business, financial condition and results of operations.

In the event the Company experiences a material number of sales cancellations, the Company's historical revenues would have been overstated because such historical revenues would not have accurately reflected subsequent customer defaults or sales cancellations. Investors are also cautioned not to rely on the Company's historical income statements as indicators of the Company's future revenues or profits.

There can be no assurance that the Company will not suffer from substantial sales cancellations and that such cancellations will not have a material adverse effect on its financial condition and results of operations.

To mitigate this risk, the Company has a structured and standardized credit approval process, which includes conducting background and credit checks on prospective buyers using national credit databases and, where feasible, conducting physical verification of claims regarding residences and properties owned. From time to time, the Company utilizes its receivables rediscounting lines with banks and other financial institutions and sells installment contract receivables. The Company ensures that all buyers are made aware of their responsibilities and obligations, and the resulting penalties for non-compliance. Each and every account is monitored to assist buyers and to provide immediate remedial measures in problem cases.

Risk relating to management of growth

a) The Company may not be able to successfully manage its growth.

The Company intends to continue to pursue an aggressive growth strategy for its residential property and land development business. The Company foresees that this strategy will mean that management resources will be reallocated from the Company's current operations. The growth strategy will also entail creating and managing relationships with a larger group of third parties such as customers, suppliers, contractors, service providers, lenders, etc. This expansion of the Company's operations will require significant capital expenditure to finance new housing and land development projects, causing the Company to take on additional debt. It thus becomes necessary to manage the internal control and compliance functions so that compliance with legal and contractual obligations is maintained and, at the same time, operational and compliance risks are minimized.

Even with these safeguards, there is no assurance that the Company will not experience any difficulties in the course of implementing its growth strategy. These difficulties can come in the form of capital constraints, construction delays, operational difficulties at new operational locations or difficulties in operating existing businesses and training personnel to manage and operate the expanded business. An inability or failure to successfully adapt to growth, including strains on management and logistics, could result in losses or development costs that are not recovered as quickly as anticipated, if at all. These problems could adversely affect the Company's reputation, the business, and results of operations or financial condition.

To mitigate this risk, the Company substantially finances its development projects through pre-sales and internally generated funds. In this way, the Company maintains some flexibility in timing the progress of its development projects to match market conditions.

b) The Company is still in the process of fully upgrading and integrating its operational and financial reporting systems and may experience difficulty in providing the Company's management and investors with financial information, particularly for interim periods.

Until recently, each of Vista Land's business units had operated as an independent company, with its own management and financial teams as well as its own information and technology (IT) systems. With the integration of the operations, records and database, Vista Land may experience delays in generating period-end financial information, particularly in situations where manually recorded financial information is required to be reconciled with information generated by the consolidated system. There can be no assurance that these constraints will not materially hinder the timeliness of such information in the future or affect Vista Land's ability to generate and management's and investors' ability to receive promptly information regarding Vista Land's consolidated financial condition and results of operations.

To mitigate this risk, Vista Land conducts regular meetings and requires briefing from key departments.

Risks relating to natural catastrophes

Natural or other catastrophes, including severe weather conditions, may materially disrupt the Company's operations, affect its ability to complete projects and result in losses not covered by its insurance.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations. These factors, which are not within the Company's control, could potentially have significant effects on the Company's housing and land development projects, many of which are large, complex estates with infrastructure, such as buildings, roads and perimeter walls, which are susceptible to damage. Damage to these structures resulting from such natural catastrophes could also give rise to claims against the Company from third parties or from customers, for example for physical injuries or loss of property. As a result, the occurrence of natural or other catastrophes or severe weather conditions may adversely affect the Company's business, financial condition and results of operations.

Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose all or a portion of the capital invested in a property, as well as the anticipated future turnover from such property, while remaining liable for any project construction costs or other financial obligations related to the property. Any material uninsured loss could adversely affect the Company's business, financial condition and results of operations.

Risks relating to over-reliance on some key Company personnel

The Company's directors and members of its senior management have been an integral part of its success, and the experience, knowledge, business relationships and expertise that would be lost should any such persons depart could be difficult to replace and may result in a decrease in the Company's operating efficiency and financial performance. While the Company has provided its Directors and key Senior Management with generous compensation, a highly skilled and reputable executive is always subject to piracy by competitors. Additionally, key personnel could also be lost due to catastrophic diseases (i.e., cerebral stroke, cancer, heart attacks), incapacitated by an accidents and death.

To lessen the potential negative impact of these events, the Company has institutionalized critical operational systems and procedures as a way of minimizing the over-dependence on individuals. The Company also has established organizational development policies and procedures to ensure the continuous development of its officers and staff. Performances are regularly monitored and appraised, and appropriate and timely action is taken to reward or correct the performances of its officers and staff. The Company maintains a continuous training program and an informal apprenticeship agenda to provide a constant pool of executive-calibre personnel ready for promotion.

The Company's ability to plan, design and execute current and future projects depends on its ability to attract, train, motivate and retain highly skilled personnel, particularly architects and engineers. However, this valuable human resource is also in demand not only by the Company's competitors, but also from companies outside the Philippines, particularly companies operating in the Middle East. It is important to point out that other development companies face the same risks.

Any inability on the part of Company to hire and, more importantly, retain qualified personnel could impair its ability to undertake project design, planning and execution activities in-house. If these situations occur, the Company will be left with no recourse but engage third-party consultants thereby incurring additional costs.

To mitigate this risk, the Company provides its technical personnel with competitive compensation and incentive programs.

Risks relating to the Company's reputation

Infringement of the Company's intellectual property rights over the various names, brands and logos which are used for its operations, including the names "Brittany," "Crown Asia" and "Communities Philippines", would have a material adverse effect on the Company's business. There can be no assurance that the actions the Company has taken will be adequate to prevent third parties from using these names, brands and logos or from naming their products using the same.

In addition, there can be no assurance that third parties will not assert rights in, or ownership of the Company's name, trademarks and other intellectual property rights. Because Vista Land believes that the reputation and track record it has established under its brands is key to its future growth, the Company's business, financial condition and results of operations may be materially and adversely affected by the use of these names and of any associated trademarks by third parties or if the Company was restricted from using such marks.

The Company, through its corporate communications team maintains a clear, accurate brand and company image and perception in the market to mitigate this risk. The legal team also monitors all intellectual ownership issues of the Company.

Other risks that the Company may be exposed are the following:

- Risks relating to the general Philippine economic condition
- Risks relating to operating in a highly-regulated environment
- Risks relating to political uncertainties
- Risks relating to international credit valuators
- Risks relating to Philippine foreign ownership limitations
- Risks relating to changes in construction material, labor, power and other costs.

To mitigate the above mentioned risks, Vista Land shall continue to adopt appropriate risk management tools as well as conservative financial and operational controls and policies to properly manage the various business risks it faces.

Working Capital

Vista Land finances its working capital requirements through a combination of internally-generated cash, pre-selling, joint ventures, borrowings and proceeds from sale of installment receivables.

Domestic and Export Sales

Amounts of revenue, profitability and identifiable assets attributable to domestic and foreign operations for 2007, 2006 and 2005 follow:

(in Php)	2007	2006	2005
Revenues			
Domestic	11,150,965,475	7,372,690,389	5,170,697,342
Foreign	–	–	–
Net operating Income			
Domestic	5,282,040,773	3,017,039,300	2,026,312,902
Foreign	–	–	–
Net income *(attributable to equity holders of VLL)*			
Domestic	3,463,493,788	1,446,984,209	467,430,048
Foreign	–	–	–
Total Assets			
Domestic	44,425,503,338	29,734,372,005	27,567,784,561
Foreign	–	–	–

Item 2. Properties

Details of the Company's raw land inventory as of December 31, 2007 are set out in the table below:

	Area (in has.)		
Location	**Owned**	**JV***	**Total**
Batangas	82.0	-	82.0
Bulacan	195.4	39.1	234.5
Cagayan de Oro	59.9	-	59.9
Caloocan	7.0	-	7.0
Cavite	467.9	37.3	505.2
Cebu	72.4	16.5	88.9
Davao	19.0	-	19.0
Fort Bonifacio	0.3	-	0.3
Iloilo	155.2	-	155.2
Laguna	15.6	89.1	104.6
Las Pinas	200.7	192.3	393.1
Makati	0.1	0.1	0.2
Mandaluyung	0.6		0.6
Muntinlupa	15.4	13.2	28.7
Naga	14.6	-	14.6
Pampanga	10.0	-	10.0
Pangasinan	13.4	-	13.4
Pasig City	0.1	0.1	0.2
Quezon City	6.2	-	6.2
Rizal	23.4	-	23.4
Taguig	2.6	-	2.6
Total	**1,361.6**	**387.7**	**1,749.3**

*Represents area attributable to the Company

Item 3. Legal Proceedings

The Company is not subject to any civil or criminal lawsuit or other legal actions. The Subsidiaries are subject to various civil and criminal lawsuits and legal actions arising in the ordinary course of business. Typical cases include adverse claims against a Subsidiary's title over parcels of land and claims brought by buyers seeking the return of deposits or cancellations of sales. From time to time, the Subsidiaries also dispute taxes that have been assessed against them by the Philippine Bureau of Internal Revenue. In the opinion of the Company's management, none of the lawsuits or legal actions to which the Subsidiaries are currently subject will materially affect the daily operations of their business nor will they have a material adverse effect on the Company's consolidated financial position and results of operations.

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

There was no matter submitted to a vote of security holders during the fourth quarter of 2007.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholders Matters

Market Information

Vista Land's common shares are listed with the Philippine Stock Exchange. The company was listed on June 25, 2006.

	Stock Price (Php/share)		
	High	**Low**	**Close**
First Quarter	NA	NA	NA
Second Quarter	7.40	3.65	7.20
Third Quarter	7.50	4.35	5.10
Fourth Quarter	6.10	4.75	6.00

The market capitalization of VLL as of December 31, 2007, based on the closing price of ₱6.00/share, was approximately ₱51.1 billion.

As of March 31, 2007, VLL's market capitalization stood at ₱25.4 billion based on the ₱3.00/share closing price.

Stockholders

There are approximately 1,123 holders of common equity security of the Company as of December 31, 2007 (based on the number of accounts registered with the Stock Transfer Agent). The following are the top 20 holders of the common securities of the Company:

	Stockholders Name	**No. of Common Shares**	**Percentage (of Common Shares)**[1]
1.	Fine Properties, Inc.	3,042,615,495	35.688%
2.	PCD Nominee Corp. (Non-Filipino)	3,033,954,183	35.587%
3.	Adelfa Properties, Inc.	1,556,461,666	18.257%
4.	Polar Property	456,811,000	5.358%
5.	PCD Nominee Corporation (Filipino)	224,541,426	2.634%
6.	ML&H Corporation	181,190,507	2.125%
7.	Bestimes Investment Limited	26,814,493	0.315%
8.	Althorp Holdings, Inc.	5,000,000	0.059%
9.	Barclays Bank PLC	3,565,800	0.042%
10.	John T. Lao	1,502,000	0.018%
11.	Sulficio Tagud Jr.&/or Ester Tagud	401,000	0.005%
12.	TomasL. Chua	400,000	0.005%
13.	Federal Homes, Inc.	324,850	0.004%
14.	Christian A. Aguilar	290,617	0.003%
15.	Chan Chak Ching	250,000	0.003%
16.	Marcelino C. Mendoza	206,690	0.002%
17.	Benjamarie Therese N. Serrano	200,000	0.002%
18.	Maribeth Tolentino	200,000	0.002%
19.	Manuel Paolo A. Villar	200,000	0.002%
20.	Mark A. Villar	200,000	0.002%

[1] based on the total shares (net of treasury shares) as of December 31, 2007 of 8,525,482,614

Dividends

None

Dividend Policy

The Company's Board is authorized to declare dividends. A cash dividend declaration does not require any further approval from the Company's shareholders. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of the Company's outstanding capital stock. Dividends may be declared only from unrestricted retained earnings.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the Banko Sentral ng Pilipinas.

The Company is allowed under Philippine laws to declare property and stock dividends, subject to certain requirements.

Record Date

Pursuant to existing Philippine SEC rules, cash dividends declared by the Company must have a record date not less than 10 nor more than 30 days from the date the cash dividends are declared. With respect to stock dividends, the record date is to be not less than 10 or more than 30 days from the date of shareholder approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC.

Dividends

The Company declares dividends to shareholders of record, which are paid from the Company's unrestricted retained earnings. Since its incorporation, the Company has not declared or paid any cash dividends. None of the Company's subsidiaries has declared or paid any cash dividends in the preceding five fiscal years.

The Company intends to maintain an annual cash dividend payment ratio for its Shares of approximately 20% of its consolidated net income from the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends. Circumstances which could restrict the payment of cash dividends include, but are not limited to, when the Company undertakes major projects and developments requiring substantial cash expenditures or when it is restricted from paying cash dividends by its loan covenants. The Company's Board, may, at any time, modify such dividend payout ratio depending upon the results of operations and future projects and plans of the Company.

Recent Sale of Unregistered Securities

None

Stock Options

None

Item 6. Management's Discussion and Analysis or Plan of Operation

REVIEW OF YEAR END 2007 VS YEAR END 2006

RESULTS OF OPERATIONS

Revenues

Real Estate

The Company recorded revenue from real estate sales of ₱8,223.6 million in the year ended December 31, 2007, an increase of 37.1% from ₱6,000.0 million in same period last year. This

was primarily attributable to the increase in the overall sales of its business units particularly that of Communities Philippines and C&P Homes during 2007 compared to that of 2006. The Company uses the Percentage of completion method of revenue recognition where revenue is recognized in reference to the stages of development of the properties.

- Real estate revenue of Communities Philippines increased to ₱2,171.7 million in the year ended December 31, 2007, an increase of 72.9% from ₱1,256.1 million in the year ended December 31, 2006. This increase was principally due to increase in Communities Philippines' sales in Savannah in Iloilo, Plantacion Meridienne in Batangas, Toscana and Solariega in Davao, Provence in Bulacan and Sorrento in Pampanga projects for the 2007. Communities Philippines is the business unit of Vista Land that offers residential properties outside the Mega Manila area.

- Real estate revenue of C&P increased by 53.2% to ₱1,773.1 million in the year ended December 31, 2007 from ₱1,157.0 million for the year ended December 31, 2006. This was due to increase in the recorded sales of C&P Homes, specifically in its Cerritos, Merida, Pacific Residences, Lessandra and Tierra Nevada projects. C&P Homes caters to the affordable segment of the market.

- Real estate revenue of Brittany increased by 21.4% to ₱2,401.8 million in the year ended December 31, 2007 from ₱1,977.8 million in the same period last year. This was due to the increase in Brittany's Portofino, Amore and Crosswinds projects. Brittany caters to the high-end segment of the market.

- Real estate revenue of Crown Asia increased by 16.7% to ₱1,877.0 million in the year ended December 31, 2007 from ₱1,609.0 million in the year ended December 31, 2006. This was due to the increase in the sales of Crown Asia's different projects particularly Ponticelli, Valenza and Maia Alta for the year. Crown Asia is Vista Land's business unit for the middle income segment of the market

Unrealized foreign exchange gain
Unrealized foreign exchange gain decreased by 56.3% to ₱197.5 million in the year ended December 31, 2007 from ₱452.4 million in the year ended December 31, 2006. This was due primarily to due to C&P Homes restructuring of its FRN.

Interest Income
Interest income increased to ₱813.6 million in the year ended December 31, 2007 from ₱644.4 million in the year ended December 31, 2006. The 26.3% increase was due to higher collection of interest from the company's in-house receivables.

Miscellaneous
Miscellaneous revenue increased by 28.5% to ₱354.6 million in the year ended December 31, 2007 from ₱276.0 million in the year ended December 31, 2006 due to increase in real estate sales deposit forfeitures.

Gain on restructuring
The Company recorded a non-recurring gain on restructuring of ₱1,443.5 million in the year ended December 31, 2007 as a result of C&P Homes' restructuring of its foreign currency denominated obligation, Floating Rate Note (FRN).

Costs and Expenses

Cost and expenses increased by 21.4% to ₱6,512.3 million in the year ended December 31, 2007 from ₱5,364.0 million in the year ended December 31, 2006 but as a percentage of real estate sales, Costs and Expenses as a percentage of real estate revenue improved from 89.4% in the year ended December 31, 2006 to 79.2% in the year ended December 31, 2007. The 21.4% increase in the account was primarily attributable to the following:

- Cost of real estate sales increased by 37.3% to ₱4,031.4 million in the year ended December 31, 2007 from ₱2,935.3 million in the year ended December 31, 2006. This

was primarily due an increase in the overall recorded sales of Vista Land's four business units.

- Operating expenses increased by 29.4% to ₱1,837.6 million in the year ended December 31, 2007 from ₱1,420.3 million in the year ended December 31, 2006. This was primarily due to the following:

    - an increase in the advertising and promotions to ₱380.2 million in the year ended December 31, 2007 from ₱299.0 million in the year ended December 31, 2006 resulting from aggressive marketing activities for the year;

    - an increase in commissions to ₱408.2 million in the year ended December 31, 2007 from ₱323.4 million in the year ended December 31, 2006 due to increased real estate sales; and

    - an increase in professional to ₱173.2 million in the year ended December 31, 2007 from ₱145.2 million in the year ended December 31, 2006 primarily due to increase in fees made to various external services rendered to the Company.

- Interest and financing charges decreased by 36.2% to ₱643.4 million in the year ended December 31, 2007 from ₱1,008.1 million in the year ended December 31, 2006. This was due to the the Company buying back of all the sold receivables as part of its use of proceeds from the follow-on offering. The buy back was completed last September 2007. Sold receivables usually carry an interest of about 16% to 21%.

Provision for Income Tax

Provision for income tax was ₱1,169.7 million in the year ended December 31, 2007 and ₱550.5 million in the year ended December 31, 2006, representing an increase ₱619.2 million. The increase was due primarily to a higher taxable income and the recognition of the deferred tax liability from the gain on restructuring recorded in 2007.

Net Income

As a result of the foregoing, the Company's net income increased by 137.9% to ₱3,469.0 million in the year ended December 31, 2007 from ₱1,458.2 million in the year ended December 31, 2006.

For the year ended December 31, 2007, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL CONDITION

As of December 31, 2007 vs. December 31, 2006

Total assets as of December 31, 2007 were ₱44,425.5 million compared to ₱29,734.4 million as of December 31, 2006, or a 49.4% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments in 2007 posted a significant increase of ₱5,453.8 million, from ₱1,364.1 million as of December 31, 2006 to ₱6,818.0 million as of December 31, 2007 due to the recognition of the net proceeds from the Company's follow-on offering last July 26, 2007.

- Receivables increased by 57.7% from ₱7,909.7 million as of December 31, 2006 to ₱12,476.9 million as of December 31, 2007 due to higher sales recognized for the period.

- Due from related parties decreased by 100.0% from ₱585.8 million as of December 31, 2006 to nil as of December 31, 2007 due to reclassification of advances from affiliates in prior years pertaining to land acquisition through joint venture arrangement where documentations for the said transactions have already been completed.

- Real estate for sale and development increased by 21.5% from ₱18,066.7 million as of December 31, 2006 to ₱21,950.5 million as of December 31, 2007 due primarily to acquisitions of lands for future development as well as opening of new projects.

- Available for sale financial assets increased by 100.9% from ₱151.7 million as of December 31, 2006 to ₱304.7 million as of December 31, 2007 due primarily to acquisitions made during the year.

- Investment in associate increased by 23.0% from ₱481.0 million as of December 31, 2006 to ₱591.6 million as of December 31, 2007 due primarily to the recognition of the Company's share in the net earnings of the associate.

- Property and equipment increased by 5.3% from ₱69.0 million as of December 31, 2006 to ₱72.7 million as of December 31, 2007 due primarily to additions of transportation equipment and other fixed assets.

- Advances to real estate joint ventures increased by ₱1,016.2 million, from ₱496.9 million as of December 31, 2006 to ₱1,513.1 as of December 31, 2007 due to the increase in advances given to joint venture partners as well as reclassification of certain advances to affiliates in prior years pertaining to land acquisition through joint venture arrangement where documentations for the said transactions have already been completed.

- Deferred tax assets increased by 51.8% from ₱15.2 million as of December 31, 2006 to ₱23.0 million as of December 31, 2007 due primarily to the increase in the temporary differences that would result to a tax asset.

- Other assets increased by 13.5% from ₱594.4 million as of December 31, 2006 to ₱674.9 million as of December 31, 2007 due primarily to increase in prepaid expenses, miscellaneous deposits and input tax.

Total liabilities as of December 31, 2007 were ₱13,155.0 million compared to ₱21,444.8 million as of December 31, 2006, or a 38.7% decrease. This was due to the following:

- Interest bearing bank loans decreased by 32.3% to ₱254.8 million as of December 31, 2007 from ₱376.5 million as of December 31, 2006 due to payments made during the year.

- Loans payable, representing the sold portion of the Company's installment contracts receivables with recourse, decreased significantly by 100.0% from ₱4,950.5 million as of December 31, 2006 to nil as of December 31, 2007 due to the buying back of all the sold receivables of the Company as part of the use of proceeds from its follow-on offering. The buy back was completed last September 2007.

- Accounts and other payables decreased by 39.6% from ₱5,436.7 million as of December 31, 2006 to ₱3,282.3 million as of December 31, 2007 due primarily to the restructuring of the interest portion of the FRN.

- Customers' advances and deposits increased by 57.4% from ₱2,313.0 million as of December 31, 2006 to ₱3,640.6 million as of December 31, 2007 due to an increase in the number of uncontracted accounts.

- Liabilities for purchased land increased by 148.6% from ₱983.6 million as of December 31, 2006 to ₱2,445.6 million as of December 31, 2007 due to new acquisitions of land for future development.

- Due to related parties increased by 100.0% from nil as of December 31, 2006 to ₱484.3 million as of December 31, 2007 due to proceeds from advances from related parties.

- Income tax payable increased by 105.0 million from ₱6.5 million as of December 31, 2006 to ₱111.4 million as of December 31, 2007 due to a higher taxable income for the period.

- Pension liability decreased by 17.3% from ₱120.9 million as of December 31, 2006 to ₱100.0 million as of December 31, 2007 due to actuarial adjustments.

- Deferred tax liabilities posted a significant increase of 165.7% from ₱607.3 million as of December 31, 2006 to ₱1,613.9 million as of December 31, 2007. The increase in the account was due primarily to the recognition of the deferred tax liability from the gain on restructuring in 2007 and the increase in the sales that will be subjected to tax only upon collection and not during the recognition of the revenue.

- Restructuring of the floating rate notes resulted in a significant decrease in the Long term commercial papers and floating rate notes including long term note account by 81.6% from ₱6,649.7 million as of December 31, 2006 to ₱1,221.9 million as of December 31, 2007.

Total stockholder's equity increased to ₱31,244.5 million as of December 31, 2007 from ₱8,225.7 million as of December 31, 2006 due largely to the issuance of stocks as part of the follow-on offering of the Vista Land last July 26, 2007 and the FRN restructuring as well as due to the higher net profit realized for the period.

Minority interest decreased by 59.3% from ₱64.0 million as of December 31, 2006 from ₱26.0 million as of December 31, 2007 due mainly to the impact of the second tender offer made by Vista Land to remaining C&P shareholders.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2007	12/31/2006
Current ratio [(a)]	3.23:1	0.79:1
Debt-to-equity ratio [(b)]	0.42:1	2.59:1
Interest expense/Income before Interest expense [(c)]	12.2%	33.4%
Return on assets [(d)]	7.8%	4.9%
Return on equity [(e)]	11.1%	17.6%

Notes:

(a) Current Ratio: This ratio is obtained by dividing the Current Assets (Cash and Cash Equivalents, Short term cash investments & Receivables) of the Company by its Current liabilities (Bank loans ,Loans payable, Accounts and Other Payables & Liabilities for purchased land). This ratio is used as a test of the Company's liquidity.

(b) Debt-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.

(c) Interest expense/Income before interest expense: This ratio is obtained by dividing interest expense for the period by its income before interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably

(d) Return on assets: This ratio is obtained by dividing the Company's net income by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.

(e) Return on equity: This ratio is obtained by dividing the Company's net income by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2007 improved from that of December 31, 2006 due to a significant increase in the cash and cash equivalents accounts and the decrease in the loans payable and account and other payables account. The increase in the cash and cash equivalents account was due mainly to the recognition of the net proceeds from the Company's follow-on offering last July 26, 2007 while the decrease in the loans payable account was due to the buying back of all the sold receivables of the Company as part of the use of proceeds from its follow-on offering and the decrease in the accounts and other payables account were brought about by the elimination of the accrued interest payable as part of the restructuring transaction.

Debt-to-equity ratio's improvement was due to the elimination of the loans payable with the corresponding increase in the equity of the Company resulting from the follow-on offering and a higher net profit realized for the period.

Interest expense as a percentage of income before interest expense was reduced in the year ended December 31, 2007 compared to the ratio for the year ended December 31, 2006 due to a reduction in the interest expense from loans payables which were bought back last September 2007.

Return on asset posted a lower ratio for December 31, 2007 compared to that on December 31, 2006 due primarily to the impact of the Company's follow-on offering.

Return on equity decreased due to the higher equity as of December 31, 2007 compared to that of December 31, 2006. The increase higher equity for the year was due to the follow-on offering of the Company.

Material Changes to the Company's Balance Sheet as of December 31, 2007 compared to December 31, 2006 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments increased by 399.8% from ₱1,364.1 million as of December 31, 2006 to ₱6,818.0 million as of December 31, 2007 due to the recognition of the net proceeds from the Company's follow-on offering last July 26, 2007.

Receivables increased by 57.7% from ₱7,909.7 million as of December 31, 2006 to ₱12,746.5 million as of December 31, 2007 mainly due to higher sales recognized for the period.

Due from related parties decreased by 100.0% from ₱585.8 million as of December 31, 2006 to ₱nil million as of December 31, 2007 due to reclassification of advances from affiliates in

prior years pertaining to land acquisition through joint venture arrangement where documentations for the said transactions have already been completed..

Real estate for sale and development increased by 21.5% from ₱18,066.7 million as of December 31, 2006 to ₱21,950.5 million as of December 31, 2007 due primarily to acquisitions of lands for future developments as well as opening of new projects.

Available for sale financial assets decreased by 100.9% from ₱151.7 million as of December 31, 2006 to ₱304.7 million as of December 31, 2007 due primarily to acquisitions made during the year.

Investment in associate increased by 23.0% from ₱481.0 million as of December 31, 2006 to ₱591.6 million as of December 31, 2007 due primarily to the recognition of the Company's share in the net earnings of the associate.

Property and equipment increased by 5.3% from ₱69.0 million as of December 31, 2006 to ₱72.7 million as of December 31, 2007 due primarily to additions of transportation equipment and other fixed assets.

Advances to real estate joint venture increased by 204.5% from ₱496.9 million as of December 31, 2006 to ₱1,513.1 as of December 31, 2007 due to an increase in advances given to joint venture partners as well as reclassification of certain advances to affiliates in the prior years pertaining to land acquisition through joint venture arrangement where documentations for the said transactions have already been completed.

Deferred tax assets increased by 51.8% from ₱15.2 million as of December 31, 2006 to ₱23.0 million as of December 31, 2007 due primarily to the increase in the temporary differences that would result to a tax asset.

Other assets increased by 13.5% from ₱594.4 million as of December 31, 2006 to ₱674.9 million as of December 31, 2007 due primarily to the increase in prepaid expenses, miscellaneous deposits and input tax.

Bank loans decreased by 32.3% from ₱376.5 million as of December 31, 2006 to ₱254.8 million as of December 31, 2007 due to payments made during the period.

Loans payable decreased by 100.0% from ₱4,950.5 million as of December 31, 2006 to nil as of December 31, 2007 due to the buying back of all the sold receivables of the Company as part of the use of proceeds from its follow-on offering. The buy back was completed last September 2007.

Accounts and other payables decreased by 39.6% from ₱5,436.7 million as of December 31, 2006 to ₱3,282.3 million as of December 31, 2007 due to the restructuring of the interest portion of the FRN.

Customers' advances and deposits increased by 57.4% from ₱2,313.0 million as of December 31, 2006 to ₱3,640.6 million as of December 31, 2007 due to an increase in the number of uncontracted accounts.

Liabilities for purchased land increased by 148.6% from ₱983.6 million as of December 31, 2006 to ₱2,445.6 million as of December 31, 2007 due to new acquisition of lands for future development.

Due to related parties increased by 100.0% from nil million as of December 31, 2006 to ₱484.3 million as of December 31, 2007 due to proceeds from advances from related parties.

Income tax payable increased by 1,623.0% from ₱6.5 million as of December 31, 2006 to ₱111.4 million as of December 31, 2007 due to a higher taxable income for the period.

Pension liability decreased by 17.3% from ₱120.9 million as of December 31, 2006 to ₱100.0 million as of December 31, 2007 mainly due to actuarial adjustments.

Deferred tax liabilities increased by 165.7% from ₱607.3 million as of December 31, 2006 to ₱1,613.9 million as of December 31, 2007 was due primarily to the recognition of the deferred tax liability from the gain on restructuring in 2007 and the increase in the sales that will be subjected to tax only upon collection and not during the recognition of the revenue.

Long term commercial papers and floating rate notes including long term notes decreased by 81.6% from ₱6,649.7 million as of December 31, 2006 to ₱1,221.9 million as of December 31, 2007 mainly due to effect of the restructuring of FRN.

Total stockholders' equity increased by 277.2% from ₱8,289.6 million as of December 31, 2006 to ₱31,270.5 million as of December 31, 2007 due largely to the issuance of stocks as part of the follow-on offering last July 26, 2007 and the FRN restructuring as well as due to the higher net profit realized for the period.

Material Changes to the Company's Statement of income for the year ended December 31, 2007 compared to the year ended December 31, 2006 (increase/decrease of 5% or more)

Revenue from real estate sales increased by 37.1% from ₱6,000.0 million in the year ended December 31, 2006 to ₱8,223.6 million in the year ended December 31, 2007 mainly due to increase in the sales of Vista Land's four business units.

Unrealized foreign exchange gain decreased by 56.3% from ₱452.4 million in the year ended December 31, 2006 to ₱197.5 million in the year ended December 31, 2007 due to C&P Homes restructuring of its FRN.

Interest income increased by 26.3% from ₱644.4 million in the year ended December 31, 2006 to ₱813.6 million in the year ended December 31, 2007 due to a higher collection of interest from the Company's in-house receivables.

Miscellaneous revenue increased by 28.5% from ₱276.0 million in the year ended December 31, 2006 to ₱354.6 million in the year ended December 31, 2007 due to increase in real estate deposit forfeitures.

Operating expenses increased by 29.4% from ₱1,420.3 million in the year ended December 31, 2006 to ₱1,837.6 million in the year ended December 31, 2007 mainly due to increase in marketing and selling expenses, particularly advertising and promotions and commissions resulting from aggressive marketing activities as well as increase in the professional fees due to increase in fees made to various external services rendered to the Company.

Interest and financing charges decreased by 36.2% from ₱1,008.1 million in the year ended December 31, 2006 to ₱643.4 million in the year ended December 31, 2007 due to the buying back of all the sold receivables of the Company as part of the use of proceeds from its follow-on offering. The buy back was completed last September 2007. Sold receivables usually carry an interest of about 16% to 21%.

Provision for income tax increased by 112.5% from ₱550.5 million in the year ended December 31, 2006 to ₱1,169.7 million in the year ended December 31, 2007 mainly due to a higher taxable income and the recognition of the deferred tax liability from the gain on restructuring for the period.

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

REVIEW OF YEAR END 2006 VS YEAR END 2005

RESULTS OF OPERATIONS

Revenues

Real Estate

The Company recorded revenue from real estate sales of ₱6,000.0 million in 2006, an increase of 54.4% from ₱3,886.5 million in 2005. This was primarily attributable to a significant increase in overall recorded sales volume, particularly of Brittany's projects, during 2006 compared to 2005, and to a lesser extent, attributable to the increase in selling prices of real estate lots and units generally.

- Real estate revenue of Brittany increased to ₱1,977.8 million in 2006 from ₱733.3 million in 2005. This was principally due to increases in total number of recorded sales of Brittany in 2006, particularly for housing units in its Portofino project in Cavite, and selling prices of its real estate lots and units generally. The Company believes that the increase in Brittany's sales was primarily attributable to general growth in the Philippines economy, increased funding availability through sale of receivables in the latter part of 2005 and 2006 that gave the Company financial resources to expand its business, the introduction of new designs like the Duetto (duplex townhomes attached back to back) and the Quadrille (quadruplex homes) which cater to growing demand for retirement homes, particularly from affluent Filipino-Americans in the US. To target this market, the Company launched an aggressive marketing campaign in the US via marketing roadshows and advertising in 2006..

- Real estate revenue of Crown Asia increased to ₱1,609.0 million in 2006 from ₱1,206.1 million in 2005. This was primarily due to an increase in selling prices of housing units of Crown Asia in 2006. The Company believes that the growth in Crown Asia's sales was primarily attributable to the growing interest of OFs in the middle market segment due to the increased availability of financing as well as the introduction of new housing designs and completion of the major thoroughfare connecting Metro Manila to Cavite where most of Crown Asia's projects are located.

- Real estate revenue of C&P Homes increased to ₱1,157.0 million in 2006 from ₱1,029.1 million in 2005. This was due to increases in sales volume and prices of C&P Homes in 2006, particularly for housing units in its Terrassa project in Cavite. The Company believes that the moderate growth in C&P Homes' sales was primarily attributable to the fact that C&P Homes started to realize the effect of the transition in its business to focus on the upper portion of the low-cost segment and the affordable segment.

- Real estate revenue of Communities Philippines increased to ₱1,256.1 million in 2006 from ₱918.1 million in 2005. This was due to increases in total number of recorded sales of Communities Philippines in 2006, particularly for housing units in its Solariega and Toscana project in Davao, and selling prices of its real estate lots and units generally. The Company believes that this was primarily attributable to an increase in unit sales coming from new projects and an increase in the average house price due to an increasing proportion of sales coming from middle-cost housing compared to sales coming from low-cost housing. This increase was also attributable to a continued strengthening of sales coming from the core segment of Communities Philippines, which is the affordable segment mainly attributable to favorable macroeconomic condition and increased OFW remittances.

Unrealized foreign exchange gain

Unrealized foreign exchange gain increased by 30.7% to ₱452.4 million in 2006 from ₱346.3 million in 2005. This was due to the devaluation of the U.S. dollar against the peso in 2006 from P53.07 to U.S.$1.00 in 2005 to P49.13 to U.S.$1.00 in 2006.

Interest Income
Interest income increased by 20.0% to ₱644.4 million in 2006 from ₱537.2 million in 2005. This was primarily due to increases in in-house financing provided to customers due to increased real estate sales during 2006 compared to 2005.

Miscellaneous
Miscellaneous revenue decreased by 31.1% to ₱276.0 million in 2006 from ₱400.7 million in 2005. This was primarily due to non-recurring income of ₱ 286.7 million from the sale of water facilities in 2005. Such assets were sold to various third party water services companies as part of the Company's strategy to focus on strengthening its market position in its core residential house and lot business.

Costs and Expenses

Cost and expenses increased by 20. 9% to ₱5,364.0 million in 2006 from ₱4,436.0 million in 2005. This was due to the following:

- Cost of real of real estate sales increased by 47.4% to ₱2,935.3 million in 2006 from ₱1,990.9 million in 2005. This was primarily due to an increase in overall recorded sales volume in 2006 compared to 2005, particularly of Brittany's projects, which led to a corresponding increase in the cost of real estate for such sales.

- Operating expenses increased by 23.1% to ₱1,420.3 million in 2006 from ₱1,153.5 million in 2005. This was mainly attributable to:

    - an increase in repairs and maintenance work performed on Company property and projects to ₱242.3 million in 2006 from ₱193.6 million in 2005 primarily due to an increase in projects in 2006 compared to 2005;

    - an increase in advertising and promotions expenses to ₱299.0 million in 2006 from 222.4 million in 2005 relating to new product launchings, special events and advertisements;

    - an increase in commissions to ₱323.4 million in 2006 from ₱270.2 million in 2005 due to increased real estate sales; and

    - an increase in salaries, wages and employees benefits to ₱164.0 million in 2006 from ₱128.5 million in 2005, which was primarily due to accrual of pension liability in 2006.

- Interest and other financing charges decreased by 21.3% to ₱1,008.1 million in 2006 from ₱1,281.2 million in 2005. This was primarily due to decreases in bank loans from ₱1,182.5 million in 2005 to ₱376.5 million in 2006 and interest expense related to LTCPs as a result of the LTCPs restructuring.

- Equity in net losses of an associate decreased by 97.1% to ₱0.3 million in 2006 from ₱10.4 million in 2005. This was due to a significant decrease in Polar's losses in 2006.

Provision for Income Tax

Provision for income tax increased by 108.8% to ₱550.5 million in 2006 from ₱263.6 million in 2005. This was due to an increase in the Company's provision for current income tax to ₱167.0 million in 2006 from ₱77.6 million in 2005 and an increase in provision for income tax-deferred to ₱383.4million in 2006 from ₱186.0 million in 2005 primarily due to tax timing differences.

Net Income

As a result of the foregoing, the Company's net income increased by 209.6%% to ₱1,458.2 million in 2006 from ₱471.1 million in 2005.

For the year ended December 31, 2006, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

FINANCIAL CONDITION

As of December 31, 2006 vs. December 31, 2005

Total assets as of December 31, 2006 were ₱29,734.4 million compared to ₱27,567.8 million as of December 31, 2005, or a 7.9% increase. This was due to the following:

- Cash and cash equivalents posted a significant increase of ₱917.4 million, from ₱446.7 million as of December 31, 2005 to ₱1,364.1 million as of December 31, 2006 due to the proceeds from sale of receivables.

- Receivables increased by 21.0% from ₱6,536.2 million as of December 31, 2005 to ₱7,909.7 million as of December 31, 2006 due to higher sales recognized for the period.

- Due from related parties decreased by 79.4% from ₱2,841.9 million as of December 31, 2005 to ₱585.8 million as of December 31, 2006 due to collections made during the period.

- Real estate for sale and development increased by 12.2% from ₱16,104.0 million as of December 31, 2005 from ₱18,066.7 million as of December 31, 2006 due primarily to acquisitions of lands for future development as well as opening of new projects.

- Available for sale financial assets increased by 77.4% from ₱85.5 million as of December 31, 2005 to ₱151.7 million as of December 31, 2006 due primarily to acquisitions made during the period.

- Advances to real estate joint ventures increased by ₱128.6 million, from ₱368.3 million as of December 31, 2005 to ₱496.9 million as of December 31, 2006 due to an increase in advances given to joint venture partners.

- Deferred tax assets decreased by 80.1% from ₱76.2 million as of December 31, 2005 to ₱15.2 million as of December 31, 2006 due primarily to the decrease in the deferred tax asset relating to allowance for probable losses.

- Other assets increased by 6.5% from ₱558.1 million as of December 31, 2005 to ₱594.4 million as of December 31, 2006 due primarily to increase in prepaid expenses and input tax.

Total liabilities as of December 31, 2006 were ₱21,444.8 million compared to ₱20,890.5 million as of December 31, 2005, or a 2.7% decrease. This was due to the following:

- Interest bearing bank loans decreased by 68.2% to ₱376.5 million as of December 31, 2006 from ₱1,182.5 million as of December 31, 2005 due to payments made during the year.

- Loans payable, representing the sold portion of the Company's installment contracts receivables with recourse, increased significantly by 95.8% from ₱2,528.9 million as of December 31, 2005 to 4,950.5 as of December 31, 2006 due to the increase in the number of installment receivables sold during the period.

- Accounts and other payables decreased by 11.7% from ₱6,153.9 million as of December 31, 2005 to ₱5,436.7 million as of December 31, 2006 due to payments made to trade payable and other payables.

- Customers' advances and deposits decreased by 4.7% from ₱2,427.9 million as of December 31, 2005 to ₱2,313.0 million as of December 31, 2006 due to an increase in the number of accounts contracted during the year.

- Liabilities for purchased land decreased by 10.2% from ₱1,094.8 million as of December 31, 2005 to ₱983.6 million as of December 31, 2006 due to payments made during the year.

- Income tax payable increased by 1.5 million from ₱4.9 million as of December 31, 2005 to ₱6.5 million as of December 31, 2006 due to a higher taxable income for the period.

- The group accrued a significant portion of its pension cost during the year resulting in an increase in the pension liability of 146.1% from ₱49.1 million as of December 31, 2005 to ₱120.9 million as of December 31, 2006.

- Deferred tax liabilities posted an increase of 113.2% from ₱284.9 million as of December 31, 2005 to ₱607.3 million as of December 31, 2006. The increase in the account was due primarily to the increase in the sales that will be subjected to tax only upon collection and not during the recognition of the revenue.

- Payments of long term commercial papers resulted in a decrease in the long term commercial papers and floating rate note account of 7.2% from ₱7,163.4 as of December 31, 2005 to ₱6,649.7 million as of December 31, 2006.

Total stockholder's equity increased to ₱8,225.7 million as of December 31, 2006 from ₱6,625.8 million as of December 31, 2005 due increase in the deposit on subscriptions.

Minority interest increased by 24.1% from ₱51.5 million as of December 31, 2005 to ₱64.0 million as of December 31, 2006 due mainly to the increase in the attributable earnings to Minority shareholders.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2006	12/31/2005
Current ratio [(a)]	0.79:1	0.64:1
Debt-to-equity ratio [(b)]	2.59:1	3.13:1
Interest expense/Income before Interest expense [(c)]	33.4%	63.6%
Return on assets [(d)]	4.9%	1.7%
Return on equity [(e)]	17.6%	7.1%

Notes:

(f) Current Ratio: This ratio is obtained by dividing the Current Assets (Cash and Cash Equivalents & Receivables) of the Company by its Current liabilities (Bank loans ,Loans payable, Accounts and Other Payables & Liabilities for purchased land). This ratio is used as a test of the Company's liquidity.

(g) Debt-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.

(h) Interest expense/Income before interest expense: This ratio is obtained by dividing interest expense for the period by its income before interest expense. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably

(i) Return on assets: This ratio is obtained by dividing the Company's net income by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.

(j) Return on equity: This ratio is obtained by dividing the Company's net income by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2006 improved from that of December 31, 2005 due to a significant increase in the cash and cash equivalents accounts and the decrease in the bank loans and account and other payables account. The increase in the cash and cash equivalents account was due mainly to proceeds from sold receivables while the decrease in the bank loans account was due to the payments made during the year and the decrease in the accounts and other payables account were brought about by the payments made.

Debt-to-equity ratio declined due to the increase number of receivable sold during the period thus increasing the loans payable account.

Interest expense as a percentage of income before interest expense was reduced in the year ended December 31, 2006 compared to the ratio for the year ended December 31, 2005 due to a reduction in the interest expense from the floating rate notes.

Return on asset posted a higher ratio for December 31, 2006 compared to that on December 31, 2005 due primarily to the higher earnings during the year.

Return on equity increased due to the higher earnings for the year ended December 31, 2006 compared to that of December 31, 2005.

Material Changes to the Company's Balance Sheet as of December 31, 2006 compared to December 31, 2005 (increase/decrease of 5% or more)

Cash and cash equivalents increased by 205.4% from ₱446.7 million as of December 31, 2005 to ₱1,364.1 million as of December 31, 2006 due to the proceeds from the sale of receivables.

Receivables increased by 21.0% from ₱6,536.2 million as of December 31, 2005 to ₱7,909.7 million as of December 31, 2006 mainly due to higher sales recognized for the period.

Due from related parties decreased by 79.4% from ₱2,841.9 million as of December 31, 2005 to ₱585.8 million as of December 31, 2006 due to collections made during the period.

Real estate for sale and development increased by 12.2% from ₱16,104.0 million as of December 31, 2005 to ₱18,066.7 million as of December 31, 2006 due primarily to acquisitions of lands for future developments as well as opening of new projects.

Available for sale financial assets increased by 77.4% from ₱85.5 million as of December 31, 2005 to ₱151.7 million as of December 31, 2006 due primarily to acquisitions made during the period.

Advances to real estate joint venture increased by 34.9% from ₱368.3 million as of December 31, 2005 to ₱496.9 as of December 31, 2006 due to an increase in advances given to joint venture partners.

Deferred tax assets decreased by 80.1% from ₱76.2 million as of December 31, 2005 to ₱15.2 million as of December 31, 2006 due primarily to the decrease in the deferred tax asset relating to allowance for probable losses.

Due from related parties decreased by 79.4% from ₱2,841.9 million as of December 31, 2005 to ₱585.8 as of December 31, 2006 due to settlements made by the Company to its affiliated companies.

Other assets increased by 6.5% from ₱558.1 million as of December 31, 2005 to ₱594.4 million as of December 31, 2006 due primarily to increase in prepaid expenses and input tax.

Bank loans decreased by 68.2% from ₱1,182.5 million as of December 31, 2005 to ₱376.5 million as of December 31, 2006 due to payments made during the period.

Loans payable increased by 95.8% from ₱2,528.9 million as of December 31, 2005 to ₱ 4,950.5 million as of December 31, 2006 due to the increase in the number of installment receivables sold during the period.

Accounts and other payables decreased by 11.7% from ₱6,153.9 million as of December 31, 2005 to ₱5,436.7 million as of December 31, 2006 due to payments made to trade payables and other payables.

Customers' advances and deposits decreased by 4.7% from ₱2,427.9 million as of December 31, 2005 to ₱2,313.0 million as of December 31, 2006 due to an increase in the number of contracted accounts.

Liabilities for purchased land decreased by 10.2% from ₱1,094.8 million as of December 31, 2005 to ₱983.6 million as of December 31, 2006 due to new acquisition of lands for future development.

Income tax payable increased by 30.8% million from ₱4.9 million as of December 31, 2005 to ₱6.5 million as of December 31, 2006 due to a higher taxable income for the period.

Pension liability increased by 146.1% from ₱49.1 million as of December 31, 2005 to ₱120.9 million as of December 31, 2006 mainly due to accrual of pension costs for the year.

Deferred tax liabilities increased by 113.2% from ₱284.9 million as of December 31, 2005 to ₱607.3 million as of December 31, 2006 was due primarily to the increase in the sales that will be subjected to tax only upon collection and not during the recognition of the revenue.

Long term commercial papers and floating rate note accout decreased by 7.2% from ₱7,163.4 million as of December 31, 2005 to ₱6,649.7 million as of December 31, 2006 mainly due to payments of long term commercial papers.

Total stockholders' equity increased by 24.1% from ₱6,677.3 million as of December 31, 2005 to ₱8,289.6 million as of December 31, 2006 due increase in the deposit on future subscriptions.

Material Changes to the Company's Statement of income for the year ended December 31, 2006 compared to the year ended December 31, 2005 (increase/decrease of 5% or more)

Revenue from real estate sales increased by 54.4% from ₱3,886.5 million in the year ended December 31, 2005 to ₱5,999.9 million in the year ended December 31, 2006 mainly due to increase in the sales of Vista Land's four business units.

Unrealized foreign exchange gain increased by 30.7% from ₱346.3 million in the year ended December 31, 2005 to ₱452.4 million in the year ended December 31, 2006 due to the devaluation of the U.S. dollar against the peso in 2006 from P53.07 to U.S.$1.00 in 2005 to P49.13 to U.S.$1.00 in 2006.

Interest income increased by 20.0% from ₱537.2 million in the year ended December 31, 2005 to ₱644.4 million in the year ended December 31, 2006 due to a higher collection of interest from the Company's in-house receivables.

Miscellaneous revenue decreased 31.1% from ₱400.7 million in the year ended December 31, 2005 to ₱276.0 million in the year ended December 31, 2006 due to the an improved conversion of accounts.

Operating expenses increased by 23.1% from ₱1,153.5 million in the year ended December 31, 2005 to ₱1,420.3 million in the year ended December 31, 2006 mainly due to increase in advertising and promotions and commissions resulting from aggressive marketing activities, increase in the salaries and wages due to the accrual of pension liability and increase in repairs and maintenance primarily due to an increase in projects in 2006 compared to 2005.

Interest and financing charges decreased by 21.3% from ₱1,281.2 million in the year ended December 31, 2005 to ₱1,008.1 million in the year ended December 31, 2006 was primarily due to decreases in bank loans from ₱1,182.5 million in 2005 to ₱376.5 million in 2006 and interest expense related to LTCPs as a result of the LTCPs restructuring.

Provision for income tax increased by 108.8% from ₱263.3 million in the year ended December 31, 2005 to ₱550.5 million in the year ended December 31, 2006 mainly due to a higher taxable income and the recognition of the deferred tax liability from various tax differences.

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

Factors which may have material impact in Company's operations

Economic factors

The economic situation in the Philippines significantly affects the performance of the Company's business. For the residential products, the Company is sensitive to changes in domestic interest and inflation rates. Higher interest rates tend to discourage potential buyers of residential units as mortgages become unaffordable to them. An inflationary environment will adversely affect the Company, as well as the real estate industry, by increases in costs such as land acquisition, labor and material. Although the Company may pass on the additional costs to buyers, there is no assurance that this will not significantly affect the Company's sales.

Competition

Please refer to the discussion on Competition found in Item 1 of this report.

Capital Expenditures

The table below sets out the Company's capital expenditures in 2004, 2005 and 2006, together with its budgeted capital expenditures for 2007 and 2008.

	Expenditure
	(in ₱ millions)
2005 (actual)	2,651.5
2006 (actual)	3,827.0
2007 (actual)	7,271.0
2008 (budgeted)	12,775.0

The Company has historically sourced funding for capital expenditures through internally-generated funds and long-term borrowings.

Components of the Company's capital expenditures for 2005, 2006 and 2007 are summarized below:

	For the years ended December 31,		
	2005	2006	2007
	(in ₱ millions)		
Land acquisition/Advances to joint venture partners	645.9	733.5	3,352.0
Land development	783.1	1,297.7	1,629.0
Housing construction	1,222.5	1,795.8	2,290.0
Total	**2,651.5**	**3,827.0**	**7,271.0**

The Company has budgeted ₱12,775.0 million for capital expenditures for 2008. The planned capital expenditures for 2008 are summarized below:

Capital Projects	**Expenditures** *(in ₱ millions)*
Land acquisition/Advances to joint venture partners	5,341.0
Land development	3,941.0
Housing construction	3,493.0
Total	**12,775.0**

The Company expects to fund its budgeted capital expenditures principally through the proceeds of the offering and cash from operations, as well as through borrowings. The figures in the Company's capital expenditure plans are based on management's estimates and have not been appraised by an independent organization. In addition, the Company's capital expenditure plans are subject to a number of variables, including: possible cost overruns; construction/development delays; the receipt of critical Government approvals; availability of financing on acceptable terms; changes in management's views of the desirability of current plans; the identification of new projects and potential acquisitions; and macroeconomic factors such as the Philippine's economic performance and interest rates. There can be no assurance that the Company will execute its capital expenditure plans as contemplated at or below estimated costs.

Item 7. Financial Statements

The Consolidated Financial Statements of the Company as of and for the year ended December 31, 2007 are incorporated herein in the accompanying Index to Financial Statements and Supplementary Schedules.

Item 8. Information on Independent Accountant and Other Related Matters

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

SGV & Co. has acted as the Company's external auditors in 2007 and as C&P's external auditors since 1994. Jessie D. Cabaluna is the current audit partner for the Company and the other subsidiaries except for C & Homes, Inc. where the engagement partner for 2006 is Medel T Nera.

The Company has not had any disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. SGV & Co. will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual provides that the audit committee shall, among other activities (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by SGV & Co.

	2006	**2007**
	(In ₱ Thousands)	
Audit and Audit-Related Fees:		
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱5.000	₱8.200
All other fees	–	–
Total	**₱5.000**	**₱8.200**

SGV & Co. does not have any direct or indirect interest in the Company

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors and Executive Officers

The overall management and supervision of the Company is undertaken by its Board. The Company's executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. Currently, the Board consists of seven members, of which two are independent directors.

The table below sets forth the members of the Company's Board as of December 31, 2007.

Name	**Age**	**Position**	**Citizenship**
Benjamarie Therese N. Serrano	45	President, Chief Executive Officer and director	Filipino
Marcelino Mendoza	53	Chief Financial Officer	Filipino
Manuel Paolo A. Villar	31	Director, Head of Corporate Planning	Filipino
Cynthia J. Javarez	44	Director – Controller	Filipino
Mark A. Villar	29	Director	Filipino
Lili B. Ramirez	54	Independent Director	Filipino
Marilou Adea	57	Independent Director	Filipino

All the above named individuals were elected to the Board of Directors of Vista Land shortly after its incorporation in February 2007 and shall remain in office until the next annual meeting of the shareholders of Vista Land.

The table below sets forth Vista Land's executive officers in addition to its executive directors listed above as of December 31, 2007.

Name	Age	Position	Citizenship
Gemma M. Santos	46	Corporate Secretary	Filipino
Maribeth C. Tolentino	43	Managing Director of C&P Homes	Filipino
Jeryll Luz Quismundo	44	Managing Director of Communities Philippines	Filipino
Mary Lee S. Sadiasa	39	Managing Director of Brittany, Horizontal Division	Filipino
Magdalena de Guzman	40	Managing Director of Brittany,Vertical Division	Filipino
Ma Leni D. Luya	40	Managing Director of Crown Asia division	Filipino

Benjamarie Therese N. Serrano, *President and Chief Executive Officer.* Ms. Serrano, 45, graduated from the University of Philippines with a degree of Bachelor of Arts in Economics and from the Asian Institute of Management with a degree of Master of Business Management. She is presently the President and Chief Executive Officer of Vista Land. She has been President of Brittany Corporation since 2004 up to the present. She was Chief Operating Officer of Crown Asia from 1995 to 2003 after holding various other positions in the MB Villar Group of Companies since 1991. She was also connected with the AFP Retirement and Separation Benefits System from 1985 to 1988.

Marcelino C. Mendoza, *Chief Financial Officer*. Mr. Mendoza, 53, is the Chief Operating Officer of MGS Corporation. He was President of C&P Homes, Inc. from 2001 to 2003, and Chief Operating Officer of Communities Philippines, Inc. from 1992 to 1995. He has a Masters Degree in Business Administration (Ateneo de Manila University) and a Certificate in Advance Course in Successful Communities from the Harvard University Graduate School of Design. Mr. Mendoza is a member of the Phi Kappa Phi International Honor Society. Well respected in the Philippine real estate industry, Mr. Mendoza has served as President and Chairman of the Board (1996 to 1998) and Board Adviser (1999 to present) of the Subdivision and Housing Developers Association (SHDA).

Manuel Paolo A. Villar, *Director and Head of Corporate Planning* Mr. Villar, 31, graduated from the University of Pennsylvania, Philadelphia, USA with a Bachelor of Science in Economics and a Bachelor of Applied Science. He was a consultant for McKinsey & Co. in the United States from 1999 to 2001. He joined Crown Asia in 2001 as Head of Corporate Planning and currently serves as Chief Financial Officer of Brittany Corporation.

Cynthia J. Javarez, *Director and Treasurer* . Ms. Javarez, 44, graduated from the University of the East with a degree in Bachelor of Science in Business Administration major in Accounting. She is a Certified Public Accountant. She took a Management Development Program at the Asian Institute of Management. She is currently the Controller of Vista Land. She has been Chief Finance Officer of Polar Property Holdings Corp since 2005 up to the present and is currently Head of the Tax and Audit group after holding various other positions in the MB Villar Group of Companies since 1985.

Mark A. Villar, *Director*. Mr. Villar, 29, is currently the Chief Executive Officer of Homeplus Builder's Center and Family Shoppers. Mr. Villar earned his Degree in Bachelor of Science in Economics from the University of Pennsylvania.

Lili B. Ramirez, *Independent Director*. Ms. Ramirez, 54, is presently a Member of the Board of Trustees of the Home Development Mutual Fund (HDMF), a position she has held since 2001. She holds a Master's Degree in Business Administration (De La Salle University) and A.B. Economics major in Mathematics (Maryknoll College). Ms. Ramirez has extensive experience in

banking and finance having been previously the Executive Vice President of RCBC Savings Bank from 1998 to 2001, Executive Vice President of Capitol Development Bank from 1991 to 1998, Acting Senior Vice President Capital Markets Group of the Development Bank of the Philippines (DBP) from 1989 to 1991, Vice President Fund Management Department also of DBP from 1988 to 1989.

Marilou O. Adea, *Independent Director*. Ms. Adea, 56, is currently the Court Appointed Rehabilitation Receiver of Anna-Lynns, Inc. and Manuela Corporation. Ms. Adea served previously as Project Director for Site Acquisition of Digital Telecommunications Phils. Inc. from 2000 to 2002, Executive Director for FBO Management Network, Inc. from 1989 to 2000 and BF Homes Inc. in Receivership from 1988 to 1994 and Vice President for Finance & Administration for L&H Resources Management Corporation from 1986 to 1988. Ms. Adea holds a Degree in Bachelor of Science in Business Administration Major in Marketing Management from the University of the Philippines.

Gemma M. Santos, *Corporate Secretary*. Born in Bulacan in April 1962, Ms. Santos graduated cum laude with the degree of Bachelor of Arts, Major in History from the University of the Philippines in 1981, and with the degree of Bachelor of Laws also from the University of the Philippines in 1985. She is a practicing lawyer and Senior Partner of Picazo Buyco Tan Fider & Santos Law Offices and Corporate Secretary of various Philippine companies including public companies C&P Homes, Inc., ATR KimEng Financial Corporation and eTelecare Global Solutions, Inc., and Director and Assistant Corporate Secretary of public companies Metro Pacific Investments Corporation and Metro Pacific Corporation.

Maribeth C. Tolentino, *Managing Director, C & P Homes.* Ms. Tolentino, 43, is currently the President of C&P Homes, Inc. She is also the President of the following subsidiary corporations: Palmera Homes, Inc., Household Development Corporation, Eastridge Estates, Inc., and Ridgewood Estates, Inc. Ms. Tolentino was previously the General Manager of Golden Haven Memorial Park, Inc. from 1999 to 2005. She holds a Bachelor of Science degree in Business Administration Major in Accounting, Magna cum Laude, from the University of the East, Manila. Ms. Tolentino is a Certified Public Accountant.

Jerylle Luz C. Quismundo, *Managing Director, Communities Philippines*. Ms. Quismundo, 44, graduated cum laude from the University of the Philippines with a Masters in Business Administration and a Bachelor of Science in Business Economics. Ms. Quismundo is currently the President of the following companies: Crown Communities Holdings, Inc., Crown Communities (Pangasinan), Inc., Crown Communities (Pampanga), Inc., Crown Communities (Bulacan), Inc., Crown Communities (Balangas), Inc., Crown Communities (Iloilo), Inc., Crown Communities (Cebu), Inc., Crown Communities (Cagayan), Inc., Crown Communities (Davao), Inc. and Communities Cebu, Inc. From 2001 to 2003, Ms. Quismundo was the Chief Financial Officer of C&P Homes, Inc.

Mary Lee S. Sadiasa, *Managing Director, Brittany, Horizontal Division* Ms. Sadiasa, 39, graduated from the De La Salle University with a Bachelor of Science in Applied Mathematics Minor in 1988. She has held various positions in the MB Villar Group of Companies from 1988 until she assumed the position of Division Head of Brittany Corporation since 2005.

Magdalena de Guzman, *Managing Director, Brittany, Vertical Division*. Ms. De Guzman, 40, graduated from the University of Sto. Thomas with a Bachelor of Arts in Behaviour Science. She had held various positions in C&P Homes, Inc. and Crown Asia Properies (North), Inc. from 2000 to 2006 and was appointed Division Head of Brittany (Vertical Division) in January 2007.

Ma Leni D. Luya, *Managing Director, Crown Asia*. Ms. Luya, 40, is a certified public accountant. She graduated from the University of the Philippines with a Bachelor of Science in Business Administration Major in Accounting. Ms. Luya has held various positions in the MB Villar Group of Companies from 1989 until she assumed the position of Division Head of Crown Asia Properties, Inc. in 2004.

Resignation of Directors

Lili Ramirez resigned as member of the Board of Directors of the Company effective December 31, 2007.

Family relationships

Mr. Manuel Paolo A. Villar and Mr. Mark A. Villar, who are both directors of the Company, are siblings.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

To the best knowledge of the Company, none of the above-named directors or executive officers has been subject to the following:

- Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

- Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

- Any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities, commodities, or banking activities; or

- Found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

Item 10. Executive Compensation

Executive Compensation

Vista Land was recently organized in February 2007 and as of December 31, 2007, it had not paid any executive compensation. The Company's executive officers currently receive and will continue to receive fixed salaries on a monthly basis from the respective subsidiaries or businesses of the Company that they manage. The Company currently does not intend to directly compensate any executive officer in 2007.

Standard arrangements

Other than payment of reasonable per diem of ₱5,000 per non-executive director for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly by the Company's subsidiaries, for any services provided as a director for 2006 and 2007.

Other arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly by the Company's subsidiaries, during 2006 or 2007 for any service provided as a director.

Employment contract between the company and executive officers

There are no special employment contracts between Vista Land and the named executive officers.

Warrants and options held by the executive officers and directors

There are no outstanding warrants or options held by the Company's CEO, the named executive officers, and all officers and directors as a group.

Significant employee

While the Company values the contribution of each of its executive and non-executive employees, the Company believes there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Company. Other than standard employment contracts, there are no special arrangements with non-executive employees of the Company.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Record and Beneficial Owners

Security ownership of certain record and beneficial owners of more than 5.0% of our voting securities as of December 31, 2007:

Title of Class of Securities	Name/Address of Record Owners and Relationship with Us	Name of Beneficial Owner /Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership
Common	Fine Properties, Inc Las Pinas Business Center Alabang Zapote Road, Talon, Las PinasCity Shareholder	Record Owner is also beneficial Owner	Filipino	3,042,615,495	35.688%
Common	PCD Nominee Corporation 37/F Tower 1, The Enterprise Ctr. 6766 Ayala Ave. cor. Paseo de Roxas, Makati Shareholder	Record Owner is not the beneficial Owner	Non-Filipino	3,033,954,183	35.587%
Common	Adelfa Properties, Inc. Las Pinas Business Center Alabang Zapote Road, Talon, Las PinasCity Shareholder	Record Owner is also beneficial Owner	Filipino	1,556,461,666	18.257%
Common	Polar Property Holdings, Corp Las Pinas Business Center Alabang Zapote Road, Talon, Las PinasCity Shareholder	Record Owner is also beneficial Owner	Filipino	456,811,000	5.358%

Security Ownership of Management

Security ownership of certain management as of December 31, 2007:

Title of Class	Name and addresses of record owners	Name of beneficial owner and relationship with record owner	Citizenship	No. of Shares Held	% to Total Outstanding
Common	Lili B. Ramirez Yulo Plaza Condominium Don Bosco St. Makati City	Record owner is also the beneficial owner	Filipino	1	0.0%
Common	Benjamarie Therese N. Serrano Parklane St. La Marea San Pedro, Laguna	Record owner is also the beneficial owner	Filipino	202,680	0.0%
Common	Marcelino C. Mendoza Margie Moran St. BF Resort Village, Talon, Las Pinas City	Record owner is also the beneficial owner	Filipino	206,690	0.0%

Title of Class	Name and addresses of record owners	Name of beneficial owner and relationship with record owner	Citizenship	No. of Shares Held	% to Total Outstanding
Common	Manuel Paolo A. Villar C. Masibay St. BF Resort Villate, Talon, Las Pinas City	Record owner is also the beneficial owner	Filipino	200,000	0.0%
Common	Cynthia J. Javarez B3A/L2 Vetta di Citta Italia Imus, Cavite	Record owner is also the beneficial owner	Filipino	160	0.0%
Common	Mark A. Villar C. Masibay St. BF Resort Villate, Talon, Las Pinas City	Record owner is also the beneficial owner	Filipino	200,000	0.0%
Common	Marilou O. Adea No. 44 Istanbul Street BF Homes, Paranaque City	Record owner is also the beneficial owner	Filipino	1	0.0%
Total				**809,532**	**0.0%**

Voting Trust Holders of 5.0% or More

As of December 31, 2007, there were no persons holding more than 5.0% of a class of Shares under a voting trust or similar agreement.

Changes In Control

There has been no change in control of the Company since December 31, 2007.

Item 12. Certain Relationships and Related Transactions

As of December 31, 2007, the Villar Family Companies held 61.5% of the issued and outstanding share capital of the Company.

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with the Villar Family Companies and their respective subsidiaries. The Company's policy with respect to related-party transactions is to ensure that these transactions are entered into on terms at least comparable to those available from unrelated third parties.

The Company's most significant related party transactions primarily involve C&P Homes. C&P Homes, from time to time, extends advances to the Villar Family Companies to finance the latter's accumulation of rawland intended for eventual development by C&P Homes' operating subsidiaries. Pending completion of the documentation of these acquisitions and transfer of legal title to the appropriate operating subsidiaries of C&P Homes, these advances are temporarily booked by C&P Homes as receivables from affiliates. Net advances totaled ₱2.5 billion as of December 31, 2005, ₱0.6 billion as of December 31, 2006 and ₱(0.5) billion as December 31, 2007.

For further information on the Company's related party transactions, see Note 19 to the Company's consolidated financial statements as of and for the years ended December 31, 2005, 2006 and 2007 included in this report.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company's Board has adopted a Manual on Corporate Governance on March 31, 2007. The Company's Manual on Corporate Governance describes the terms and conditions by which the Company intends to conduct sound corporate governance practices that are consistent with the relevant laws and regulations of the Republic of the Philippines, and which seek to enhance business transparency and build shareholder value.

Ultimate responsibility and oversight of the Company's adherence to superior corporate governance practices rests with the Board of Directors. As a policy matter, the Board will hold monthly meetings, at which any number of relevant corporate governance issues may be raised for discussion.

Practical oversight of the Company's corporate governance standards is exercised through the Board's three standing committees:

- The Audit Committee is charged with internal audit oversight over all of the Company's business transactions and the effective management of risk.

- The Nomination Committee is charged with ensuring that potential candidates for the Board are fully qualified as well as ensuring that the Board maintains adequate independent membership.

- The Compensation and Remuneration Committee is charged with ensuring that fair and competitive compensation policies are maintained.

The Company is committed to building a solid reputation for sound corporate governance practices, including a clear understanding by its Directors of the Company's strategic objectives, structures to ensure that such objectives are realized, systems to ensure the effective management of risks and the systems to ensure the Company's obligations are identified and discharged in all aspects of its business. Each January, the Company will issue a certification to the Philippines Securities and Exchange Commission and the Philippine Stock Exchange that it has fulfilled its corporate governance obligations.

As of December 31, 2007, there are no known material deviations from the Company's Manual of Corporate governance except for provision 4.2 which states that "A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute" which was already complied with on February 2008.

The Company is taking further steps to enhance adherence to principles and practices of good corporate governance

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17 – C

Exhibits

See accompanying Index to Financial Statements and Supplementary Schedules.

The following exhibit is incorporated by reference in this report:

Consolidated Financial Statements of the Company as of and for the year ended December 31, 2007.

The other exhibits, as indicated in the Index to Financial Statements and Supplementary Schedules are either not applicable to the Company or require no answer.

Reports on SEC Form 17-C

The following current reports have been reported by Vista Land during the year 2007 through official disclosure letters dated:

August 15, 2007
Vista Land announces the Second Tender Offer for Common Shares of C&P Homes.

August 22, 2007
Vista Land filed press release on Nationality Restriction.

November 7, 2007
Vista Land submitted press release on its Vertical Developments.

November 12, 2007
Vista Land announces US$25 million buy back program.

November 14, 2007
Vista Land filed additional disclosure regarding the buy back program

November 20, 2007
Vista Land bought back 3,696,000 shares.

November 22, 2007
Vista Land filed press release on its Fifth High Rise Condominium Project in Makati City.

November 23, 2007
Vista Land bought back 4,562,000 shares.

December 6, 2007
Vista Land bought back 5,000,000 shares.

December 28, 2007
Disclosure on the resignation of Lili Ramirez as member of the Board of Director of Vista Land effective December 31, 2007.

Reports on SEC Form 17-C, as amended (during the last 6 months)

November 20, 2007
Vista Land bought back 3,696,000 shares. Amended the outstanding shares after the buy back.

January 29, 2008
Certification on attendance of members of Board of Directors for the year 2007 as countersigned by the acting chairman of the Board of Director of the Company.

January 29, 2008
Resignation of Lili Ramirez with the inclusion of the reason for the resignation.

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized.

VISTA LAND & LIFESCAPES, INC.

By:

BENJAMARIE THERESE N. SERRANO
President / Chief Executive Officer

MARCELINO C. MENDOZA
Chief Finance Officer

CYNTHIA J. JAVAREZ
Controller

Date: April 2, 2008

STATEMENT OF MANAGEMENT'S REPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Vista Land & Lifescapes, Inc. and its subsidiaries is responsible for all information and representations contained in the consolidated financial statements for the years ended December 31, 2007 and 2006. The consolidated financial statements have been prepared in conformity with the generally accepted accounting principles in the Philippines and reflect amounts that are based in the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting & 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 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 consolidated financial statements before such statements are approved and submitted to the stockholders of the Company.

Sycip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the company in accordance with the generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

BENJAMARIE THERESE N. SERRANO
Chief Executive Officer
Acting Chairman of the Board of Directors

MARCELINO C. MENDOZA
Chief Finance Officer

CYNTHIA J. JAVAREZ
Controller

SUBSCRIBED AND SWORN to before me this 2nd day of April 2008 at Makati City, affiants executing to me their Community Tax Certificates / Passports, as follows:

Names	CTC / Passport No.	Date of Issue	Place of Issue
Benjamarie Therese N. Serrano	TT 0720241	Aug. 20, 2007	Mnla
Marcelino C. Mendoza	ZZ 145408	May 15, 2005	Mnla
Cynthia J. Javarez	AQ 0078318	March 29, 2006	Mnla

Notary Public

Doc No. 180:
Page No. 61:
Book No. III:
Series of 2008:

MINEZ C. MANINGAT
Appointment No. M-530
Notary Public for Makati City
Until December 31, 2008
18th 19th & 17th Floor, Liberty Center
104 H.V. dela Costa Street
Salcedo Village, Makati City
Roll of Attorneys No. 54015
PTR 0029351/Makati City/01-10-2008
IBP 729278/Makati City/01-02-

VISTA LAND & LIFESCAPES, INC

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
Form 17-A, Item 7

Consolidated Financial Statements

Supplementary Schedules

CS200703145

SEC Registration Number

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES

(Company's Full Name)

Las Piñas Business Center, National Road Talon, Las Piñas City

(Business Address: No. Street City/Town/Province)

Brian N. Edang

(Contact Person)

887-2264

(Company Telephone Number)

12 31

Month *Day*

(Fiscal Year)

AAFS

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES

Consolidated Financial Statements
December 31, 2007 and 2006
and Years Ended December 31, 2007, 2006 and 2005

and

Independent Auditors' Report

SGV & Co

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891-0307
Fax: (632) 819-0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-1

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Vista Land & Lifescapes, Inc.
Las Piñas Business Center
National Road Talon, Las Piñas City

We have audited the accompanying consolidated financial statements of Vista Land & Lifescapes, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2007 and 2006, and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2007, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

We believe that the audit evidence we have obtained 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 Vista Land & Lifescapes, Inc. and Subsidiaries as of December 31, 2007 and 2006, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2007 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-1
Tax Identification No. 102-082-365
PTR No. 0017580, January 3, 2008, Makati City

April 1, 2008

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2007	2006
ASSETS		
Cash and Cash Equivalents (Notes 3 and 25)	**₱5,277,705,542**	₱1,364,131,275
Short-term Cash Investments (Notes 4 and 25)	**1,540,260,676**	–
Receivables - net (Notes 5 and 25)	**12,476,925,218**	7,909,687,467
Due from Related Parties - net (Notes 19 and 25)	**–**	585,751,411
Real Estate for Sale and Development - net (Note 6)	**21,950,486,403**	18,101,939,496
Available-for-sale Financial Assets (Notes 7 and 25)	**304,714,824**	151,666,058
Investment in an Associate (Note 8)	**591,647,471**	480,955,923
Property and Equipment - net (Note 9)	**72,679,697**	69,003,420
Advances to Real Estate Joint Ventures (Note 10)	**1,513,146,652**	496,920,952
Deferred Tax Assets - net (Note 23)	**–**	15,150,901
Other Assets - net (Note 11)	**694,802,904**	559,165,102
	₱44,422,369,387	₱29,734,372,005
LIABILITIES AND EQUITY		
Liabilities		
Bank loans (Notes 12 and 25)	**₱254,839,576**	₱376,508,653
Loans payable (Notes 13 and 25)	**–**	4,950,511,348
Accounts and other payables (Notes 14 and 25)	**3,282,343,747**	5,436,723,665
Customers' advances and deposits (Note 17)	**3,640,637,648**	2,313,033,340
Liabilities for purchased land (Notes 15 and 25)	**2,445,567,331**	983,623,130
Due to related parties (Note 19)	**484,274,541**	–
Income tax payable (Note 23)	**111,448,513**	6,468,134
Pension liabilities (Note 21)	**100,044,935**	120,901,635
Deferred tax liabilities - net (Note 23)	**1,610,748,008**	607,305,353
Long-term commercial papers and floating rate notes payable (Notes 16 and 25)	**45,474,438**	6,649,681,688
Long-term notes (Notes 16 and 25)	**1,176,447,626**	–
Total Liabilities	**13,151,826,363**	21,444,756,946
Equity (Notes 1, 26 and 27)		
Capital stock	**8,538,740,614**	1,000,000
Additional paid-in capital	**19,305,275,668**	–
Deposits for future stock subscriptions	**–**	8,224,661,024
Retained earnings	**3,469,009,064**	–
Treasury shares	**(68,531,241)**	–
	31,244,494,105	8,225,661,024
Minority interests	**26,048,919**	63,954,035
Total Equity	**31,270,543,024**	8,289,615,059
	₱44,422,369,387	₱29,734,372,005

See accompanying Notes to Consolidated Financial Statements.

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2007	2006	2005
REVENUE			
Real estate	**₱8,223,600,691**	₱5,999,924,384	₱3,886,541,311
Unrealized foreign exchange gains	**197,504,392**	452,402,192	346,256,040
Interest income (Note 18)	**813,641,406**	644,357,802	537,159,565
Equity in net income of an associate (Note 8)	**118,065,070**	–	–
Miscellaneous income (Note 22)	**354,611,227**	276,006,011	400,740,426
	9,707,422,786	7,372,690,389	5,170,697,342
Gain from restructuring (Note 16)	**1,443,542,689**	–	–
	11,150,965,475	7,372,690,389	5,170,697,342
COSTS AND EXPENSES			
Real estate	**4,031,363,221**	2,935,347,655	1,990,917,211
Operating expenses (Note 20)	**1,837,561,481**	1,420,303,434	1,153,467,229
Interest and other financing charges (Note 18)	**643,368,110**	1,008,094,267	1,281,231,747
Equity in net loss of an associate (Note 8)	–	269,320	10,396,481
	6,512,292,812	5,364,014,676	4,436,012,668
INCOME BEFORE INCOME TAX	**4,638,672,663**	2,008,675,713	734,684,674
PROVISION FOR INCOME TAX (Note 23)	**1,169,663,599**	550,456,424	263,625,348
NET INCOME	**₱3,469,009,064**	₱1,458,219,289	₱471,059,326
Net Income Attributable to:			
Equity holders of Vista Land & Lifescapes, Inc.	**₱3,463,493,788**	₱1,446,984,209	₱467,430,048
Minority interests	**5,515,276**	11,235,080	3,629,278
	₱3,469,009,064	₱1,458,219,289	₱471,059,326
Basic/Diluted Earnings Per Share (Note 24)	**₱0.48**	₱0.30	₱0.34
Basic/Diluted Earnings Per Share excluding Gain from restructuring (Note 24)	**₱0.35**	₱0.30	₱0.34

See accompanying Notes to Consolidated Financial Statements.

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31		
	2007	2006	2005
CAPITAL STOCK at ₱1 par value (Notes 26 and 27)			
Issued and outstanding			
Balance beginning of year	**₱1,000,000**	₱1,000,000	₱1,000,000
Issuances of shares	**8,537,740,614**		
End of year	**8,538,740,614**	1,000,000	1,000,000
ADDITIONAL PAID-IN CAPITAL			
Balance beginning of year	**1,000,000**	1,000,000	1,000,000
Issuance of shares	**19,304,275,668**	–	–
End of year	**19,305,275,668**	1,000,000	1,000,000
DEPOSITS FOR FUTURE STOCK SUBSCRIPTIONS (Note 1)			
Balance beginning of year	**8,146,864,726**	6,557,575,149	2,187,723,798
Equity movement of subsidiaries	**(8,146,864,726)**	1,589,289,577	4,369,851,351
End of year	**–**	8,146,864,726	6,557,575,149
RETAINED EARNINGS (Notes 26 and 27)			
Balance at beginning of year	**–**	–	–
Net income	**3,469,009,064**	–	–
Balance at end of year	**3,469,009,064**	–	–
TREASURY SHARES (Note 26)	**(68,531,241)**	–	–
MINORITY INTERESTS	**26,048,919**	141,750,333	118,758,121
	₱31,270,543,024	₱8,289,615,059	₱6,677,333,270

See accompanying Notes to Consolidated Financial Statements.

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱4,638,672,663**	₱2,008,675,713	₱734,684,674
Adjustments for:			
Interest expense	**643,368,110**	980,546,702	1,281,076,041
Depreciation and amortization (Note 20)	**43,002,460**	26,519,711	25,336,034
Gain from restructuring (Note 16)	**(1,443,542,689)**	–	–
Interest income (Note 18)	**(813,641,406)**	(644,357,802)	(537,159,565)
Unrealized foreign exchange gains	**(197,504,392)**	(452,402,192)	(346,256,040)
Equity in net loss (earnings) of an associate	**(118,065,070)**	269,320	10,396,481
Pension gain (Note 21)	**(20,856,700)**	–	–
Provision for probable losses	**–**	–	29,601,058
Gain on disposal of property and equipment	**–**	–	(14,628,697)
Operating income before changes in working capital	**2,731,432,976**	1,919,251,452	1,183,049,986
Increase in:			
Receivables	**(4,567,237,751)**	(1,426,615,881)	(2,080,555,214)
Real estate for sale and development	**(3,883,831,678)**	(1,766,694,699)	(818,596,219)
Increase (decrease) in:			
Accounts and other payables	**409,353,754**	271,071,686	308,084,862
Customers' advances and deposits	**1,327,604,308**	(112,025,574)	(296,912,140)
Liabilities for purchased land	**1,461,944,201**	(122,272,949)	–
Pension liabilities	**–**	72,572,235	26,295,300
Cash used in operations	**(2,520,734,190)**	(1,164,713,730)	(1,678,633,425)
Interest received	**813,641,406**	352,567,926	325,495,763
Interest paid	**(726,192,676)**	(633,433,754)	(482,794,045)
Income tax paid	**(65,955,593)**	(117,570,602)	(69,534,348)
Net cash used in operating activities	**(2,499,241,053)**	(1,563,150,160)	(1,905,466,055)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Short-term investments	**(1,540,260,676)**	–	–
Other assets	**(80,487,102)**	(78,105,979)	446,253,402
Disposals of (additions to):			
Available-for-sale financial assets	**112,844,900**	–	–
Investments in an associate	**(258,520,144)**	(16,952,489)	(11,845,587)
Increase in advances to real estate joint ventures	**(377,025,700)**	(133,302,692)	(349,152,337)
Acquisition of property and equipment (Note 9)	**(46,678,737)**	(42,986,686)	(54,217,834)
Minority interest	**(37,905,116)**	–	–
Proceeds from disposal of property and equipment	**–**	–	250,700
Net cash provided by (used in) investing activities	**(2,228,032,575)**	(271,347,846)	31,288,344

(Forward)

	Years Ended December 31		
	2007	2006	2005
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from (payments of):			
Bank loans	**(₱121,669,077)**	(₱174,027,796)	(₱151,355,125)
Long term commercial papers	**(80,953,376)**	–	–
Loans payable	**(4,950,511,348)**	1,502,708,865	1,705,364,311
Due from related parties	**531,504,898**	1,423,256,417	488,275,453
Proceeds from issuance of share of stock	**13,331,008,039**	–	–
Acquisition of treasury stock	**(68,531,241)**	–	–
Net cash provided by financing activities	**8,640,847,895**	2,751,937,486	2,042,284,639
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,913,574,268**	917,439,480	168,106,928
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,364,131,275**	446,691,795	278,584,867
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱5,277,705,543**	₱1,364,131,275	₱446,691,795

See accompanying Notes to Consolidated Financial Statements.

VISTA LAND & LIFESCAPES, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Vista Land & Lifescapes, Inc. (the Company) was incorporated in the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on February 28, 2007 to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, exchange, develop or otherwise dispose of real personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, associations, domestic or foreign, and to possess and exercise, in respect thereof, all the rights, powers and privileges of ownership, including all voting powers of any stock so owned.

The Company is the parent company of the Vista Group (the Group) which is comprised of: (1) C & P Homes, Inc. and Subsidiaries (C&P); (2) Brittany Corporation (Brittany); (3) Crown Asia Properties, Inc. (CAPI); (4) Crown Asia Properties (North), Inc. (CAPIN); (5) Crown Communities Holdings, Inc. and Subsidiaries (CCHI); (6) Crown Communities (Cebu), Inc. and Subsidiaries (Communities Cebu); (7) Crown Communities (Iloilo), Inc. (Communities Iloilo); (8) Crown Communities (Davao), Inc. (Communities Davao); and (9) and Crown Communities (Pampanga), Inc. (Communities Pampanga) (collectively, referred to as the Subsidiaries). The Group is engaged mainly in the development of residential subdivisions and construction of housing units. The Group offers a range of products from socialized and affordable housing to middle income and high-end housing and various types of subdivision lots.

The registered office address and principal place of business of the Company is at Las Piñas Business Center, National Road, Talon, Las Piñas City.

On March 16, 2007, the Board of Directors (BOD) and the stockholders approved the increase in authorized capital stock of the Company from ₱4.0 million divided into 4 million shares to ₱12.0 billion divided into 12 billion shares with a par value of ₱1 per share. The following companies have subscribed to the increase in the authorized capital stock of the Company and have paid for such subscription through assignment of shares:

	No. of shares	Amount subscribed		
Subscribers	**subscribed**	**Par**	**Premium**	**Total**
Polar Property Holdings Corp. (Polar Property)	722,615,487	₱722,615,487	₱1,055,018,611	₱1,777,634,098
Adelfa Properties, Inc. (Adelfa)	554,162,000	554,162,000	809,076,520	1,363,238,520
Cambridge Group, Inc. (Cambridge)	9,305,206	9,305,206	13,585,601	22,890,807
Althorp Holdings, Inc. (Althorp)	200,102,917	200,102,917	292,150,259	492,253,176
Fine Properties, Inc. (Fine)	22,465,846	22,465,846	32,800,134	55,265,980
Total	1,508,651,456	₱1,508,651,456	₱2,202,631,125	₱3,711,282,581

Fine, on its second subscription, subscribed to 3,020,149,650 shares with a par value of ₱1 with a premium amounting to ₱4,409,659,901.

On March 29, 2007, the Company entered into an exchange agreement with Fine, Polar Property, Adelfa, Althorp and Cambridge for the acquisition by the Company of all the shares held by the aforesaid corporations in the subsidiaries, in exchange for 4,528,801,106 shares of the Company.

On March 30, 2007, the Company entered into a Memorandum of Agreement (MOA) with Fine wherein Fine agrees to subscribe to 3,020,149,650 common shares of the Company which shall be paid through the assignment and conveyance by Fine in favor of the Company of a total of 3,020,149,650 shares of the common stock of C&P. Fine undertakes to cause its affiliates which hold shares in C&P to convey the C&P shares held by them in favor of the Company.

On April 25, 2007, the Company entered into a sale and purchase agreement with Fine and Brittany (Major shareholders) which provided for the acquisition by the Company of the Major shareholders' 3,020,149,650 shares in C&P in consideration for the Company shares on the basis of one (1) Company common share for every one (1) C&P common share based on the book value of the Company shares against the adjusted book value of the C&P shares as of December 31, 2006.

The objective of the said acquisitions was to consolidate the ownership of the Subsidiaries in a new holding company that is the Company. The Company has accounted for these transactions as reorganization of entities under common control, using pooling of interest method. Accordingly, the accompanying consolidated financial statements have been prepared as if the current corporate structure had been in existence throughout the periods presented.

On May 3, 2007, the SEC approved the increase in authorized capital stock. The approval of SEC made effective the March 30, 2007 MOA with Fine and the April 25, 2007 sale and purchase agreement with the Company and the Major shareholders.

On May 7, 2007, the Company filed a registration statement with the SEC for the primary offer of up to 1,890,519,959 common shares from its unissued capital stock. In compliance with the Tender Offer Rules, the Company is offering to acquire the remaining 1,890,519,959 common shares owned by the common shareholders of C&P other than the Major shareholders (Minority Shareholders) in exchange for up to 1,890,519,959 new and unissued common shares of the Company, on the same basis of one (1) common share for every one (1) C&P common share. On June15, 2007, end of the tender offer period, a total of 1,858,241,046 shares were tendered.

On May 24, 2007, the Philippine Stock Exchange, Inc. (the Exchange) approved the initial listing by way of introduction of 6,420,321,065 common shares of the Company, with par value of ₱1.00 per share in the first board of the Exchange at a listing price of ₱2.46 per share. The approval, however, is subject to, among other conditions, compliance by the Company of Article 3, Section 6 of the Revised Listing Rules which states that upon and after listing, the Company shall, at all times, maintain, at least 1,000 stockholders or security holders each owning securities equivalent to at least one board lot. As of December 31, 2007, the Company has 1,123 shareholders.

In the International Offering Circular dated July 13, 2007, the Company, together with Polar Property, Calveston Investments Limited, Althorp Holdings, Inc. , Cameron Global Limited , Golden Haven Memorial Park, Inc. and Cambridge Group, Inc. (collectively referred to as 'other selling shareholders') offered for sale 3,105,994,207 common shares with par value of P1.00 per share. The shares offered comprised of (i) 2,120,000,000 new shares issued and offered by the Company by way of a Primary Offer and (ii) 985,994,207 existing shares offered by other selling shareholders pursuant to a secondary offered by other selling shareholders pursuant to a secondary. Polar Property is an associate of the Company. The entire shares offered were fully subscribed with net proceeds of ₱14.013 billion.

The purpose of the Primary Offer is to finance, in part, the Company's planned capital expenditures and the settlement of the amounts due to its subsidiaries. The Company also expects to use a portion of the net proceeds from the Primary Offer for general corporate purposes, including but not limited to, working capital requirements.

Each holder of Shares will be entitled to such dividends as may be declared by the Company's BOD provided that any stock dividends declaration requires the approval of shareholders holding at least two-thirds of the Company's total outstanding capital stock.

On August 21, 2007, the Company announced a second tender offer to remaining C&P minority shareholders. As of September 18, 2007, end of tender offer period, a total of 30,698,462 shares were tendered.

Subsequently, during 2007, the Company bought back its shares from the market on the following dates and their respective buy back values:

Date	Number of shares	Total Consideration
November 20, 2007	3,696,000	₱18,026,150
November 23, 2007	4,562,000	22,227,000
December 6, 2007	5,000,000	28,000,000
Total	13,258,000	₱68,253,150

On November 27, 2007, SEC approved the Company's buyback of its shares up to the extent of the total purchase price of US$25 million subject to the prevailing market price at the time of buyback over the next 12 months but subject to periodic review by the Company's management.

The consolidated balance sheets of Vista Land & Lifescapes, Inc. and Subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2007, and the summary of significant accounting policies and other explanatory notes were authorized for issue by the Board of Directors (BOD) on April 1, 2008.

2. **Basis of Preparation**

The accompanying consolidated financial statements have been prepared using the historical cost method. The consolidated financial statements are presented in Philippine Peso, the Group's functional currency.

Statement of Compliance

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

Changes in Accounting Policies

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

PFRS 7, *Financial Instruments: Disclosures*

PFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces PAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and the disclosure requirements in PAS 32, *Financial Instruments: Disclosure and Presentation*. It is applicable to all entities that report under PFRS.

The Group adopted the amendment to the transition provisions of PFRS 7, as approved by the Financial Reporting Standards Council, which gives transitory relief with respect to the presentation of comparative information for the new risk disclosures about the nature and extent of risks arising from financial instruments. Accordingly, the Group does not need to present comparative information for the disclosures required by paragraphs 31-42 of PFRS 7, unless the disclosure was previously required under PAS 30 or PAS 32. Adoption of the PFRS 7 and the amendment to PAS 1 resulted in additional disclosures, which are included throughout the financial statements. These disclosures include presenting the different classes of loans and, receivables and rollforward of allowance for impairment loss, credit quality of financial assets that are neither past due nor impaired, aging of past due but not impaired financial assets and sensitivity analysis as to changes in interest rates and foreign exchange rates and the Group's capital management (see Note 25).

PAS 1, *Amendments to - Presentation of Financial Statements*

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

Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment* (*Effective for annual periods beginning on or after 1 January 2007*), requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

The other standards that became effective January 1, 2007 but were not applicable to the Group are as follows:

- Philippine Interpretation IFRIC 8, *Scope of PFRS 2*
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*

Future Changes in Accounting Policies
The Group has not applied the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2007:

PFRS 8, *Operating Segments* (*effective for annual periods beginning on or after* January 1, 2009)
This PFRS adopts a management approach to reporting segment information. PFRS 8, will replace PAS 14, *Segment Reporting*, and is required to be adopted only by entities whose debt or equity instruments are publicly traded, or are in the process of filing with the SEC for purposes of issuing any class of instruments in a public market. The Group will apply PFRS 8 in 2009 and expects that the adoption of this standard would not result in additional reporting disclosures as the Group has no reportable segments.

PAS 1, *Presentation of Financial Statements* (Revised) *(effective for annual periods beginning on or after January 1, 2009)*
The revised standard requires that the statement of changes in stockholders' equity includes only transactions with owners and all non-owner changes are presented in equity as a single line with details included in a separate statement. The revised standard introduced a new statement of comprehensive income that combines all items of income and expense recognized in profit or loss together with 'other comprehensive income'. The revisions specify what is included in other comprehensive income. The Group will comply with the new requirement.

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

Philippine Interpretation IFRIC 14, PAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2008)*
This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. The Group expects that this Interpretation will have no impact on the financial position or performance of the Group as all its defined benefit schemes are currently not funded.

Basis of Consolidation

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

	Effective Percentages of Ownership		
	2007	2006	2005
Crown Communities (Cebu), Inc. and subsidiaries (Communities Cebu)	**100.00%**	100.00%	100.00%
Crown Asia Properties, Inc. (CAPI)	**100.00**	100.00	100.00
Crown Communities (Pampanga), Inc. (Communities Pampanga)	**100.00**	100.00	100.00
Brittany Corporation (Brittany)	**100.00**	99.96	99.96
Crown Communities (Iloilo), Inc. (Communities Iloilo)	**100.00**	95.00	95.00
C & P Homes, Inc. and subsidiaries (C & P)	**99.97**	99.22	99.22
Crown Communities Holdings, Inc. and subsidiaries (CCHI)	**99.98**	99.98	99.98
Crown Asia Properties (North), Inc. (CAPIN)	**98.68**	98.68	98.68
Crown Communities (Davao), Inc. (Communities Davao)	**95.00**	95.00	95.00

On October 30, 2007, the Philippine Securities and Exchange Commission (SEC) approved the merger between Palmera Homes, Inc., Eastridge Estates, Inc., Ridgewood Estates, Inc. and Household Development Corp. (HDC), the latter being the surviving entity. All of these entities are within the group of C&P. HDC did not issue any consideration in exchange for the shares of the three (3) other subsidiaries and based on the document submitted to the SEC, will book the merger under additional paid in-capital.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in consolidation.

Business combination of entities under common control is accounted for using the pooling of interests method. The combined entities accounted for by the pooling of interests method reports results of operations for the period in which the combination occurs as though the entities had been combined as of the beginning of the period. The effects of intercompany transactions on current assets, current liabilities, revenue, and cost of sales for the periods presented and on retained earnings at the beginning of the periods presented are eliminated to the extent possible.

Similarly, balance sheets and other financial information of the separate entities as of the beginning of the period are presented as though the entities had been combined at that date. Financial statements and financial information of the separate entities presented for prior years are also restated on a combined basis to furnish comparative information.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not owned by the Company and are presented separately in the consolidated statement of income and consolidated statement of changes in equity and within equity in the consolidated balance sheet, separately from the Company's equity.

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

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

Initial recognition of financial instruments
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available for sale (AFS) financial assets, and loans and receivables. The Group classifies its financial liabilities as financial liabilities at fair value through profit or other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Group are of the nature of loans and receivable and AFS financial assets, while its financial liabilities are of the nature of other financial liability.

The Group determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, at every reporting date.

Determination of fair value
The fair value for financial instruments traded in active markets at the balance sheet date is based on its quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Day 1 profit
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (day 1 profit) in the consolidated statement of income

unless it qualifies for recognition as some other type of asset. In cases where inputs to the valuation technique are not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'day 1' profit amount.

Derivatives recorded at FVPL
Embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at fair value through profit or loss. Embedded derivatives are measured at fair value with fair value changes being reported through profit or loss, and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in the consolidated statement of income. The losses arising from impairment of receivables are recognized in the consolidated statement of income.

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported in the consolidated statement of income.

Investments in unquoted equity securities are carried at cost net of impairment losses, if any.

When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized as other income in the statement of income. Where the Company holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized in the statement of income as other income when the right of the payment has been established. The losses arising from impairment of such investments are recognized as provisions on impairment losses in the statement of income.

Investments in unquoted equity securities are carried at cost net of impairment losses, if any.

The Group's AFS financial assets pertain to unquoted equity securities included under "Available-for-sale-financial assets" account in the consolidated balance sheet.

Other financial liabilities at amortized cost
Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. This category includes bank loans, loans payable, accounts and other payables, liabilities for purchased land and long-term commercial papers and floating rate notes payable.

Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Derecognition of Financial Assets and Financial Liabilities

Financial asset
A financial asset (or, where applicable, a part of a group of financial assets) is derecognized where: (a) the rights to receive cash flows from the assets have expired; (b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a "pass-through" arrangement; or (c) the Group has transferred its right to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

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

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of income. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as selling price of the lots and residential houses, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

AFS financial assets carried at cost
If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

Real Estate for Sale and Development
Real estate for sale and development consists of subdivision land for sale and development, residential units for sale and development, and undeveloped land.

Subdivision land for sale and development are carried at the lower of aggregate cost or net realizable value (NRV). Costs include acquisition costs and costs incurred for development, improvement and construction of subdivision land, including capitalized borrowing costs. NRV is the selling price less estimated cost to complete, commissions and other marketing costs.

Residential units for sale and development are also carried at the lower of aggregate cost or NRV. Costs include costs incurred for development, improvement and construction of residential units.

Valuation allowance is provided for subdivision land for sale and development, residential units for sale and development, and undeveloped land when the NRV of the properties are less than their carrying amounts.

Investment in an Associate
The investment in an associate is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under equity method, the investment in an associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share in net assets of the associate, less any impairment in value.

Property and Equipment
Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property and equipment consists of its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and computed using the straight-line basis over the estimated useful life of property and equipment as follows:

	Years
Building	20
Office furniture, fixtures and equipment	2 to 5
Transportation equipment	2 to 5
Construction equipment	2 to 5
Other fixed assets	1 to 5

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

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

System Development Costs

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs, that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for probable losses, if any.

Expenditures which enhance or extend the performance of computer software programs beyond their original specifications are recognized as capital improvements and added to the original cost of the software. System development costs, recognized as assets, are amortized using the straight-line method over their useful lives, but not exceeding a period of 3 years. Where an indication of impairment exists, the carrying amount of computer system development costs is assessed and written down immediately to its recoverable amount.

Impairment of Non-financial Assets

The Group assesses as at reporting date whether there is an indication that its non-financial asset (e.g., property and equipment) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use or its net selling price and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

Revenue and Cost Recognition

Real estate revenue and cost from completed projects is accounted for using the full accrual method. The percentage of completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally in relation to cost incurred to date over the total cost of the project.

Any excess of collections over the recognized receivables are included in the "Customers' advances and deposits" account in the liabilities section of the consolidated balance sheets.

Interest is recognized as it accrues (using the effective interest method i.e, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Pension Cost

Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailments or settlements.

The net liability recognized in the consolidated balance sheet in respect of the defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash inflows using risk-free interest rates that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are immediately charged to or credited against consolidated statement of income.

Income Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and NOLCO can be utilized.

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 profits will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

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

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments are recognized on a straight-line basis over the lease term while the variable rent is recognized as an expense based on the terms of the lease contract.

Foreign Currency Translation/Transactions

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Borrowing costs
Borrowing costs are expensed as incurred.

Interests in Joint Venture
Interests in joint ventures represent one or more assets , usually in the form of cash, contributed to, or acquired for the purpose of the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred. These joint ventures do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer has control over its share of future economic benefits through its share of the jointly controlled asset.

Earnings Per Share
Earnings per share (EPS) is computed by dividing net income for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares.

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

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

Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments

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

Revenue recognition

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- Buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- Stage of completion of the project

Operating lease commitments - the Group as lessee

The Group has entered into contract of lease for the office space it occupies. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset.

Impairment of AFS financial assets carried at cost

The Group follows the guidance of PAS 39 in determining when an asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; the financial health of and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. See Note 7 for related balances.

Management's Use of Estimates

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

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate is recognized based on the percentage of completion measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

Estimating allowance for probable losses on receivables
The Group maintains allowances for impairment losses based on the result of the individual and collective assessment under PAS 39. For both individual and collective assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. The estimated cash flows considers the management's estimate of proceeds from the disposal of the collateral less cost to repair, cost to sell and return of deposit due to the defaulting party. The cost to repair and cost to sell are based on historical experience. The balance of the Group's receivable, net of allowance for impairment losses amounted to ₱12,476.92 million and ₱7,909.69 million as of December 31, 2007 and 2006, respectively (see Note 5).

Evaluation of net realizable value of real estate for sale and development
The Group reviews real estate for sale and development for probable impairment in value. The management's judgment in determining if the real estate for sale and development is impaired is based on the assessment of the asset's estimated net selling price and the management's plan in discontinuing the real estate projects. Estimated selling price is derived from publicly available market data and historical experience, while estimated selling costs are basically commission expense based on historical experience, respectively. The management would also obtain the services of an independent appraiser to determine fair value of undeveloped land based on the latest selling prices of the properties of the same characteristics of the undeveloped land. The balance of real estate for sale and development amounted to ₱21,950.49 million and ₱18,066.65 million as of December 31, 2007 and 2006, respectively (see Note 6).

Estimating useful lives of property and equipment
The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these property and equipment. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. The balance of property and equipment amounted to ₱72.68 million and ₱69.00 million as of December 31, 2007 and December 31, 2006, respectively (see Note 9).

Deferred tax assets
The Group reviews the carrying amounts of deferred income taxes at each balance sheet date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of deferred tax assets to b utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income. The balance of deferred tax assets amounted to ₱23.00 million and ₱15.15 million as of December 31, 2007 (See Note 23).

Estimating pension obligation and other retirement benefits
The determination of the Group's pension liabilities is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 and include among others, discount rates, expected returns on plan assets and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect retirement obligations. The pension liabilities amounted to ₱100.04 million and ₱120.90 million as of December 31, 2007 and 2006, respectively (see Note 21).

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. Certain financial assets and liabilities were initially recorded at its fair value by using the discounted cash flow methodology (see Note 25).

3. Cash and Cash Equivalents

This account consists of:

	2007	2006
Cash on hand	**₱5,240,866**	₱3,590,325
Cash in banks	**908,208,001**	1,360,540,950
Cash equivalents	**4,364,256,675**	–
	₱5,277,705,542	₱1,364,131,275

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are short-term investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

4. Short-term Cash Investments

Short-term cash investments consist of money market placements with maturities of more than three months up to one year and earn interest at the prevailing short-term investments rates ranging from 5.20% to 6.00% in 2007.

5. Receivables

This account consists of:

	2007	2006
Installment contract receivables (see Note 25)	**₱11,415,100,068**	₱6,665,165,671
Other receivables	**1,728,266,292**	2,024,602,097
	13,143,366,360	8,689,767,768
Less : Allowance for impairment losses	**(666,444,142)**	(780,080,301)
	₱12,476,922,218	₱7,909,687,467

Installment contracts receivable consist of accounts collectible in equal monthly principal installments with various terms up to a maximum of 15 years. The corresponding titles to the subdivision units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. The installment contracts receivable are interest bearing except for those that are with installment schemes within 2 years. Interest rates on installment contracts receivable range from 16% and 19%.

The Group entered into various purchase agreements with financial institutions whereby the Group sold its installment contracts receivable as of December 31, 2007 and 2006. The purchase agreements provide that the Group should substitute defaulted contracts to sell with other contracts to sell of equivalent value.

The Group still retains the sold receivables in the receivables account and records the proceeds from these sales as loans payable. The carrying value of installment contracts receivable sold amounted to ₱1,179 million in 2007 and ₱5,420 million in 2006. There are no outstanding receivables discounted as of December 31, 2007.

Receivables amounting to ₱666.44 million and ₱780.08 million as of December 31, 2007 and December 31, 2006, respectively, were impaired and fully provided for. Movements in the allowance for impairment losses are as follows:

December 31, 2007

	Receivable from		
	Installment Contracts Receivable	**Others**	**Total**
At January 1	**₱432,727,208**	**₱347,353,093**	**₱780,080,301**
Charge for the year	**–**	**21,216,869**	**21,216,869**
Write-offs	**–**	**(134,856,028)**	**(134,856,028)**
At December 31	**₱432,727,208**	**₱233,713,934**	**₱666,441,142**

December 31, 2006

	Receivable from		
	Installment Contracts Receivable	Others	Total
At January 1	₱468,197,360	₱426,723,185	₱894,920,545
Charge for the year	849,629	–	849,629
Recoveries	(36,319,781)	(79,370,092)	(115,689,873)
At December 31	₱432,727,208	₱347,353,093	₱780,080,301

The impairment losses above pertains to individually impaired accounts. These are presented as gross amounts before directly deducting impairment allowance. No impairment losses resulted from performing collective impairment test.

As of December 31, 2007 and 2006, receivables with a nominal amount of ₱505.64 million and ₱310.38 million, respectively, were recorded at amortized cost amounting to ₱432.85 million and ₱266.92 million, respectively. These are receivables that are to be collected in 2 years which are noninterest bearing. The fair value upon initial recognition is derived using discounted cash flow model using the discount rate ranging from 5% to 9% for those recognized in 2007 and 7% to 11% for those recognized in 2006. Interest income recognized from these receivables amounted to ₱24.60 million, ₱36.34 million, and ₱20.59 million in 2007, 2006 and 2005, respectively. The unamortized discount amounted to ₱72.79 million and ₱43.46 million as of December 31, 2007 and 2006, respectively.

Movement in the unamortized discount is as follows:

	2007	2006
Balance at beginning of year	**₱43,462,952**	₱42,165,735
Additions	**53,931,804**	37,635,562
Accretion for the year	**(24,604,155)**	(36,338,345)
Balance at end of year	**₱72,790,601**	₱43,462,952

6. Real Estate for Sale and Development

This account consists of:

	2007	2006
Subdivision land available for sale	**₱8,426,057,563**	₱5,795,258,009
Less reserve for land development costs	**3,840,821,395**	1,000,149,674
	4,585,236,168	4,795,108,335
Residential house and lots for sale and development	**1,917,483,462**	809,798,377
Total subdivision land and residential units for sale and development	**6,502,719,630**	5,604,906,712
Undeveloped land		
At NRV	**7,131,634,780**	7,131,634,780
At cost	**8,316,131,993**	5,365,398,004
	₱21,950,486,403	₱18,101,939,496

Subdivision land for sale and development represents real estate subdivision projects in which the Group has been granted license to sell by the Housing and Land Use Regulatory Board of the Philippines.

The cost of undeveloped land at NRV amounted to ₱8,135.6 million in 2007 and 2006.

7. Available-for-sale Financial Assets

AFS financial assets are investments in unquoted shares of stocks, consist mainly of investments in unquoted preferred shares in a public utility company which the Group will continue to carry incidental to its real estate projects.

8. Investment in an Associate

This account consists of:

	2007	2006
Balance at beginning of year	**₱480,955,923**	₱481,225,243
Equity in net income (loss) during the year	**110,691,548**	(269,320)
Balance at end of year	**₱591,647,471**	₱480,955,923

Investment in an associate represents HDC's 10% equity in Polar Property. The investment is accounted for under the equity method as an affiliate's voting rights in Polar Property was assigned to HDC. Based on the quoted price of Polar Property shares, the fair value of HDC's investments in Polar Property amounted to ₱2.16 billion and ₱0.88 billion as of December 31, 2007 and 2006, respectively.

The following are the significant information of the associate:

	2007	2006
	(In millions)	
Total assets	**₱6,413**	₱9,622
Total liabilities	**1,099**	4,411
Total stockholder' equity	**₱5,314**	₱5,211

9. Property and Equipment

The rollforward analysis of this account follows:

December 31, 2007

	Land and Building	Transportation Equipment	Office Furniture, Fixtures, and Equipment	Construction Equipment	Other Fixed Assets	Total
Cost						
Balance at beginning of year	**₱4,268,386**	**₱106,454,496**	**₱169,872,200**	**₱33,934,812**	**₱69,901,367**	**₱384,431,261**
Additions		**22,457,529**	**215,880**	**6,867,755**	**17,137,573**	**46,678,737**
Retirements/disposals	**–**	**(2,579,423)**	**–**	**(4,230,327)**	**(6,299,834)**	**(13,109,584)**
Balance at end of year	**4,268,386**	**126,332,602**	**170,088,080**	**36,572,240**	**80,739,106**	**418,000,414**
Accumulated depreciation and amortization						
Balance at beginning of year	**426,838**	**78,173,527**	**148,869,863**	**30,418,138**	**57,539,475**	**315,427,841**
Depreciation and amortization (see Note 20)	**74,289**	**16,226,419**	**15,319,999**	**1,367,289**	**10,014,464**	**43,002,460**
Retirements/disposals	**–**	**(2,579,423)**	**–**	**(4,230,327)**	**(6,299,834)**	**(13,109,584)**
Balance at end of year	**501,127**	**91,820,523**	**164,189,862**	**27,555,100**	**61,254,105**	**345,320,717**
Net book value	**₱3,767,259**	**₱34,512,079**	**₱5,898,218**	**₱9,017,140**	**₱19,485,001**	**₱72,679,697**

December 31, 2006

	Land and Building	Transportation Equipment	Office Furniture, Fixtures, and Equipment	Construction Equipment	Other Fixed Assets	Total
Cost						
Balance at beginning of year	₱4,268,386	₱127,303,433	₱164,955,577	₱43,670,338	₱81,295,396	₱421,493,130
Additions	–	17,819,839	13,374,728	592,058	11,200,061	42,986,686
Retirements/disposals/adjustments	–	(38,668,776)	(8,458,105)	(10,327,584)	(22,594,090)	(80,048,555)
Balance at end of year	4,268,386	106,454,496	169,872,200	33,934,812	69,901,367	384,431,261
Accumulated depreciation and amortization						
Balance at beginning of year	213,419	101,234,892	142,658,143	35,613,299	72,109,994	351,829,747
Depreciation and amortization (see Note 20)	213,419	10,810,660	7,514,517	2,145,360	4,833,301	25,517,257
Retirements/disposals	–	(33,872,025)	(1,302,797)	(7,340,521)	(19,403,820)	(61,917,163)
Balance at end of year	426,838	78,173,527	148,869,863	30,418,138	57,539,475	315,427,841
Net book value	₱3,841,548	₱28,280,969	₱21,002,337	₱3,516,674	₱12,361,892	₱69,003,420

10. Interest in Joint Ventures

Interest in joint ventures represent the amounts incurred by the Group for the development of certain real estate properties, deposits and cash advances to real estate property owners, and other charges in connection with the land development agreements entered into by the Group. The terms of the agreements provided that the Group will undertake the improvement, subdivision and development of the real estate properties within a certain period prescribed by the agreements, subject to certain conditions to be fulfilled by the real estate property owner.

In 2007, Adelfa assigned its rights in various joint ventures to CAPI, Brittany and C&P through a deed of assignment. The total advances to joint venture assigned to the subsidiaries amounted to ₱639.20 million on which the Group recorded a liability to Adelfa.

11. Other Assets

This account consists of:

	2007	2006
Deposits for real estate purchases	**₱119,568,823**	₱189,933,507
Creditable withholding taxes	**367,029,939**	245,011,338
Input value added taxes	**28,064,248**	20,268,325
Systems development costs - net	**15,138,269**	17,078,743
Miscellaneous deposits and others	**188,868,935**	110,740,499
	718,670,214	583,032,412
Less allowance for impairment losses	**23,867,310**	23,867,310
	₱694,802,904	₱559,165,102

Deposits for real estate purchases substantially represent the Group's payments to real estate property owners for the acquisition of certain real estate properties. Although the terms of the agreements provided that the deeds of absolute sale for the subject properties are to be executed only upon fulfillment by both parties of certain undertakings and conditions, including the payment by the Group of the full contract prices of the real estate properties, the Group already has physical possession of the original transfer certificates of title of the said properties.

The Group can apply the creditable withholding taxes against income tax payable.

12. Bank Loans

Bank loans represent long-term payable to local banks bearing average interest rates of 6.16%, 10.00% and 10.39% per annum as of December 31, 2007, 2006 and 2005 respectively. The interest rates are based on the latest 91-day and 182-day treasury bill rates plus spread rate of 2.0% to 2.5%. These loans are payable in annual installments for a maximum loan period of 10 years.

The bank loan amounting to ₱144 million and ₱227 million as of December 31, 2007 and 2006, respectively are under the name of Adelfa. The proceeds of such loans were used by one of the subsidiaries in its real estate projects.

Real estate properties of certain related parties and several Company shares of stock owned by a major shareholder were pledged to secure the Group's bank loans in 2007 and 2006.

13. Loans Payable

The Group entered into various purchase agreements with financial institutions whereby the Group sold its installment contracts receivables (see Note 5). The purchase agreements provide that the Group should substitute defaulted contracts to sell with other contracts to sell of equivalent value.

The Group still retains the sold receivables in the "Installment contracts receivable" account and records the proceeds from these sales as loans payable. These loans had fixed interest rates ranging from 10% to 12% in 2007 and 16% to 21% in 2006 based on the terms of the installment contracts receivable, payable on equal monthly installments over a period of 5 to 15 years depending on the terms of the installment contracts receivable.

14. Accounts and Other Payables

This account consists of:

	2007	2006
Accounts payable and accrued expenses	**₱2,422,309,655**	₱5,029,519,433
Value added tax (VAT) payable	**349,426,612**	159,282,641
Retention payable	**352,146,419**	182,362,989
Commissions payable	**158,461,061**	65,558,602
	₱3,282,343,747	₱5,436,723,665

The accounts payable, accrued expenses and retention payable are noninterest bearing and are mostly composed of payable to contractors and supplies of materials. These are payable within one year.

15. Liabilities for Purchased Land

Liabilities for purchased land are payables to various real estate property sellers. Under the terms of the agreements executed by the Group covering the purchase of certain real estate properties, the titles of the subject properties shall be transferred to the Group only upon full payment of the real estate loans.

In 2007, the Group acquired certain land properties which are payable over a period of 1 to 9 years. Such liabilities for purchased land with a nominal amount of ₱1,730.43 million were initially recorded at fair value resulting to a discount of ₱86.23 million upon. The fair value is derived using discounted cash flow model using the discount rate ranging from 5.00% to 5.21% with effective interest rate ranging from 2.72% to 5.72%. The unamortized discount amounted to ₱49.00 million as of December 31, 2007.

Accretion of ₱37.23 million is recorded as interest expense.

16. Long-term Commercial Papers, Floating Rate Notes Payable and Long-term Notes

This account consists of:

	2007	2006
Long-term Commercial Papers (LTCP)	**₱45,474,438**	₱105,451,468
Long-term Notes	**1,176,447,626**	–
Floating Rate Notes Payable	–	6,544,230,220

Long-term Commercial Papers

On October 18, 1996, the SEC approved the C&P's issuance of LTCPs amounting to ₱3.00 billion divided into two (2) tranches. Details follow:

Tranche	Series	Amount	Issue Date	Maturity Date
I	A	₱750,000,000	November 06, 1996	November 06, 2001
	B	750,000,000	November 06, 1996	November 06, 2003
II	A	750,000,000	November 13, 1996	November 13, 2001
	B	750,000,000	November 13, 1996	November 13, 2003
		3,000,000,000		
Less payments and redemption		764,975,562		
		2,235,024,438		
Less conversion to equity (see Note 1)		2,189,550,000		
		₱45,474,438		

Series A LTCPs bear interest at one percent (1%) above the 91-day treasury bill rate while interest on Series B LTCPs bear interest at one-eighth percent (0.125%) above the 91-day treasury bill rate. Interest on both LTCP series is payable quarterly in arrears and is subject to repricing every 91 days. The LTCPs shall, however, be subject to a minimum annual interest rate of 10%.

The LTCPs provide for certain restrictions and requirements with respect to, among others, the mortgage, pledge or other encumbrances or security interest whatsoever over the whole or any part of the C&P's current and future assets or revenue, issuance or sale of commercial papers of any kind during a specified period and maintenance of certain financial ratios.

On November 6 and November 13, 2001, the Series A LTCPs matured and became due. On November 6 and 13, 2003, the Series B LTCPs also matured and became due.

On November 14, 2005, C & P's stockholders approved the decrease in authorized capital stock from ₱5,000,000,000 divided into 5,000,000,000 shares with par value of ₱1 to ₱500,000,000 divided into 500,000,000 shares with the same par value with a corresponding decrease in C & P's issued capital from ₱4,796,071,929 divided into 4,796,071,929 shares to ₱479,607,192 divided into 479,607,192 shares with the same par value of ₱1. The decrease in the number of issued shares reverted to APIC of ₱4,316,464,737 which can be used to partially wipe out C & P's deficit. On the same date, C & P's stockholders also approved the increase in C & P's authorized capital stock from ₱500,000,000 divided into 500,000,000 shares with par value of ₱1 to ₱7,000,000,000 divided into 7,000,000,000 shares with the same par value.

The corporate restructuring was approved by the SEC on December 6, 2005. The increase in the capital stock was made to further improve C&P's financial condition. The following have subscribed to C&P's increase in the authorized capital stock and have paid their subscriptions by way of conversion of the LTCP amounting to ₱2.19 billion plus accrued interest thereon of ₱1.49 billion totaling to ₱3.68 billion with the following details:

Name of Subscribers	Number of Shares Subscribed	Amount Subscribed	Amount Paid By Way of Conversion of Debt
Fine Properties, Inc.	2,516,596,308	₱2,516,596,308	₱2,516,596,308
Adelfa Properties, Inc.	995,852,683	995,852,683	995,852,683
Brittany Corporation	169,462,650	169,462,650	169,462,650
	3,681,911,641	₱3,681,911,641	₱3,681,911,641

FRNs Restructuring Plan

On September 15, 2006, C & P's BOD approved the principal terms of the FRN Restructuring Plan and authorized C & P's management to complete the Restructuring Plan in accordance with the approved principal terms. The Restructuring Plan provides for the acquisition by C & P of the FRNs held by the Exchanging FRN Holders, at an amount equivalent to the principal thereof plus all interest that shall have accrued thereon up to and including December 31, 2005, in exchange for a combination of Long Term Notes and New Shares (Exchange Offer). FRN Holders who opt to accept the Exchange Offer should notify C & P in writing of said election on or before March 9, 2007. An FRN Holder that did not notify C & P of its acceptance of the Exchange Offer on or before March 9, 2007 was deemed not to have accepted the Exchange Offer and, accordingly, the FRNs held by the same FRN Holder shall be redeemed and repaid by the Issuer in exchange for cash payment.

As of December 31, 2006, the beneficial owners of FRNs with total principal amount of US$120.46 million, representing 90.25% of the total outstanding FRNs, agreed on the non-accrual of interest for 2006. Accordingly, C&P no longer recognized interest expense in 2006 for those FRN holders.

On March 9, 2007, 94.44% of the FRN holders formally accepted the offer described in the Restructuring Plan.

The total amount of Long Term Notes (LTNs) issued by C & P to the Exchanging FRN Holders pursuant to the restructuring Plan amounted to US$50.00 million. The said Long Term Notes have been divided among the Exchanging FRN Holders pro rata, in proportion to their respective FRN holdings.

The New Shares were issued at the issue price of ₱8.00 per share. For purposes of said payment, the peso equivalent of the FRNs was computed based on the exchange rate of US$1: ₱50.00.

All FRNs held by FRN Holders who did not accept the Exchange Offer on or before March 9, 2007 were repaid by the Issuer at a discounted price of US$0.23 for every US$1.00 of the principal amount or face value of said FRNs, and the corresponding cash payment were paid and remitted by the Issuer through the relevant clearing system on the closing date.

Long-term Notes

The LTN's above, which is payable over 15 years, was initially recorded at present value of ₱1.29 billion (US$26.52 million) with discount amounting to ₱982 million (US$20.25 million). There will be a quarterly accretion of interest expense for the next 15 years. The above transaction resulted to a gain of ₱1.44 billion presented as a separate line item in the consolidated statement of income under the account "Gain on restructuring". The LTN was translated to Philippine peso using the USD/Php foreign exchange rate as of December 31, 2007 of 41.28. This resulted to a foreign exchange gain of ₱199.88 million which is presented under "Miscellaneous income" account in the consolidated statements of income.

Interest rates ranges for LTNs ranges from 1% to 5% over certain contractual periods with effective interest rate of 8.59%.

17. Customers' Advances and Deposits

The Group requires buyers of residential houses and lots to pay a minimum percentage of the total selling price before the two parties enter into a sale transaction. In relation to this, the customers' advances and deposits represent payment from buyers which has not reached the minimum required percentage. When the level of required payment is reached by the buyer, sales is recognized and these deposits and downpayments will be applied against the related installment contracts receivable.

18. Interest Income and Interest and Other Financing Charges

Below is the detail of interest income:

	2007	2006
Arising from installment contracts receivable	**₱620,041,141**	₱607,210,918
Arising from cash and short term investments	**168,996,110**	808,539
Accretion of unamortized discount for the 2 year noninterest bearing receivables (Note 5)	**24,604,155**	36,338,345
Total	**₱813,641,406**	₱644,357,802

The total interest and other financing charges pertain to interest expense on loan and borrowings, except for the amount of ₱89.02 million and ₱37.23 million in 2007, which pertain to the accretion of interest expense for LTNs and liabilities for purchased land, respectively.

19. Related Party Transactions

The Group in their regular conduct of business, has entered into transactions with related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, and development, management, marketing, leasing and administrative service agreements. Sales and purchases of services to and from related parties are made at normal market prices. Outstanding balances at year-end are unsecured and interest-free. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2007 and 2006, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates. As of December 31, 2007, the net amount of due to related parties amounted to ₱484.27 million while as of December 31, 2006, the net amount of due from related parties amounted to ₱585.75 million.

Compensation of key management personnel by benefit type follows:

	2007	2006	2005
Short-term employee benefits	**₱37,323,144**	₱32,329,850	₱26,637,420
Post-employment benefits	**(2,888,065)**	7,395,201	4,386,300
	₱34,435,079	₱39,725,051	₱31,023,720

The resulting pension income of ₱2,888,065 for key management personnel is due to the effect of actuarial gain from pension obligation in 2007.

20. Operating Expenses

This account consists of:

	2007	2006	2005
Repairs and maintenance	**₱344,291,376**	₱242,348,198	₱193,553,304
Advertising and promotions	**380,220,411**	298,961,030	222,356,942
Commissions	**408,210,382**	323,441,930	270,189,875
Salaries, wages and employees benefits (see Note 21)	**133,433,250**	164,010,621	128,489,220
Professional fees	**173,223,013**	145,246,452	107,900,836
Occupancy costs	**71,052,924**	42,287,384	33,663,124
Transportation and travel	**60,809,772**	35,663,547	28,132,479
Office expenses	**42,581,806**	34,306,582	30,755,052
Representation and entertainment	**42,104,280**	33,216,586	24,501,048
Depreciation and amortization (see Notes 9 and 11)	**43,002,460**	25,517,257	25,336,034
Taxes and licenses	**13,672,892**	12,633,876	15,277,553
Provision for impairment losses	**21,216,869**	3,776,620	27,976,969
Miscellaneous	**103,742,046**	58,893,351	45,334,793
	₱1,837,561,481	₱1,420,303,434	₱1,153,467,229

21. Retirement Plan

The Group has noncontributory defined benefit pension plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and compensation on the last year of employment.

The components of pension cost (included in Salaries, wages and employees benefits under general and administrative expenses) in the consolidated statements of income are as follows (see Note 20):

	2007	2006	2005
Current service cost	**₱23,472,500**	₱7,921,400	₱3,535,100
Interest cost on benefit obligation	**11,963,200**	6,755,400	3,787,600
Net actuarial losses (gains) immediately recognized	**(56,037,500)**	58,121,835	19,167,500
Expected return on plan assets	**(254,900)**	(226,400)	(194,900)
Total pension (income/expense)	**(₱20,856,700)**	₱72,572,235	26,295,300

The resulting total pension income of ₱20.86 million is due to the effect of actuarial gain from pension obligation immediately recognized in 2007.

The retirement income is principally the result of changes in discount rate used as at of December 31, 2007 and shown within “Miscellaneous income” in the statement of income.

Movements in pension liabilities follow:

	2007	2006
Balance at beginning of year	**₱120,901,635**	₱49,129,400
Pension expense (income) recognized	**(20,856,700)**	72,572,235
Contributions paid	**–**	(800,000)
Balance at end of year	**₱100,044,935**	₱120,901,635

The assumptions used to determine the Group's pension benefits are as follows:

	2007	2006	2005
Discount rate	**10.15% - 10.22%**	8.29% - 7.86%	15.00% to 11.00%
Salary increase rate	**13.00%**	13.00 %	6.00% to 13.00%
Expected rate of return on plan assets	**5.00%**	5.00 %	5.00% to 5.30%
Experience adjustments on plan liabilities	**₱33,714,009**	(₱9,854,460)	–

Except for CAPIN and CAPI which expects to fund the plan amounting to ₱7.80 million in 2008, the other entities within the Group does not expect to set-up a retirement fund within the next 12 months.

22. Miscellaneous Income

Miscellaneous income in 2007 includes unrealized foreign exchange gain from the translation of LTNs using year-end rate amounting to ₱197,504,392 and pension benefit of ₱20,856,700 mainly due to actuarial gains.

23. Income Taxes

Provision for income tax consists of:

	2007	2006	2005
Current	**₱215,535,400**	₱167,006,523	₱77,590,351
Deferred - net	**954,128,199**	383,449,901	186,034,997
	₱1,169,663,599	₱550,456,424	₱263,625,348

The reconciliation of the provision for income tax computed at the statutory income tax rate to the provision for income tax shown in the consolidated statement of income follows:

	2007	2006	2005
Provision for income tax computed at the statutory income tax rates	**₱1,623,535,432**	₱703,036,500	₱238,772,519
Additions to (reductions in) income taxes resulting from:			
Nondeductible interest and other expenses	**1,007,452**	1,424,404	12,592,685
Interest income already subjected to final tax	**(68,444,910)**	(808,539)	(643,233)
Change in unrecognized deferred income taxes	**291,677,694**	(184,953,201)	(12,306,425)
Equity in net loss (earnings) of an associate	**(41,322,774)**	94,262	3,378,855
Expired MCIT	**4,506,441**	31,662,998	–
Tax-exempt income	**(525,843,286)**	–	
Effect of change in statutory tax rate	**(115,452,450)**	–	21,830,947
Provision for income tax	**₱1,169,663,599**	₱550,456,424	₱263,625,348

The components of net deferred tax assets in 2006 follow:

Deferred tax assets on:	
Allowance for probable losses	₱281,105,782
Unrealized foreign exchange losses	57,639,107
NOLCO	37,258,714
Carryforward benefit of MCIT	15,246,964
Accrual of retirement costs	10,492,230
Unamortized discount on receivables	7,058,733
	408,801,530
Deferred tax liabilities on:	
Unrealized gain on real estate transactions	393,601,186
Unamortized discount on loans payable	49,443
	393,650,629
Net deferred tax assets	₱15,150,901

The components of net deferred tax liabilities in 2007 follow:

	2007	2006
Deferred tax assets on:		
Allowance for probable losses	**₱294,664,105**	₱141,466,237
NOLCO	**98,157,063**	5,413,110
Unrealized foreign exchange losses	**57,639,107**	–
Carryforward benefit of MCIT	**32,413,217**	9,236,829
Accrual of retirement costs	**30,013,481**	25,688,563
Unamortized discount on receivables	**23,656,945**	–
Unamortized preoperating expenses	**–**	320,416
	536,543,918	182,125,155

(Forward)

	2007	2006
Deferred tax liabilities on:		
Unrealized gain on real estate transactions	**₱1,705,552,257**	₱789,430,508
Unamortized discount on LTNs	**312,886,948**	–
Unrealized foreign exchange gains	**69,958,983**	–
Unamortized discount on rawland	**17,150,946**	–
Others	**41,742,792**	–
	2,147,291,926	789,430,508
Net deferred tax liabilities	**₱1,610,748,008**	₱607,305,353

As of December 31, 2007, the details of the unused tax credits from the excess of the MCIT over RCIT tax and NOLCO, which are available for offset against future income tax payable and taxable income, respectively, over a period of three years from the year of inception, follow:

NOLCO

Inception Year	Amount	Used/ Expired	Balance	Expiry Year
2004	₱1,350,397,091	₱1,350,397,091	₱–	2007
2005	299,427,819	57,601,453	241,826,366	2008
2006	35,358,292	–	35,358,292	2009
2007	3,264,093	–	3,264,093	2010
	₱1,688,447,295	₱1,407,998,544	₱280,448,751	

MCIT

Inception Year	Amount	Used/ Expired	Balance	Expiry Year
2004	₱4,958,988	₱4,958,988	₱–	2007
2005	10,226,531	–	10,226,531	2008
2006	9,750,821	–	9,750,821	2009
2007	12,435,865	–	12,435,865	2010
	₱37,372,205	₱4,958,988	₱32,413,217	

The Group has deductible temporary differences that are available for offset against future taxable income or tax payable for which no deferred tax assets have been recognized. These deductible temporary differences with no deferred tax assets recognized in the consolidated financial statements are as follows:

	2007	2006
Allowance for probable losses	**₱839,183,359**	₱1,053,582,868
Unrealized foreign exchange losses	–	491,492,831
Accrual of retirement cost	–	17,527,941
NOLCO	–	1,376,514,725
	₱839,183,359	₱2,939,118,365

Board of Investments (BOI) Incentives
On various dates in 2007, the BOI issued in favor of certain subsidiaries in the group a Certificate of Registration as a New Developer of Mass Housing Project for its 8 real estate projects in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the projects has been granted an Income Tax Holiday for a period of four (4) years commencing from 2007 until 2011.

Republic Act (RA) No. 9337
RA No. 9337 was enacted into law amending various provisions in the existing 1997 National Internal Revenue Code. On October 18, 2005, the Supreme Court has rendered its final decision declaring the validity of the RA No. 9337. Among the reforms introduced by the said RA, which became effective on November 1, 2005, are as follows:

- Increase in the corporate income tax rate from 32% to 35% with a reduction thereof to 30% beginning January 1, 2009;
- Grant of authority to the Philippine President to increase the value-added tax (VAT) rate from 10% to 12%, effective February 1, 2006, subject to compliance with certain economic conditions;
- Revised invoicing and reporting requirements for VAT;
- Expanded scope of transactions subject to VAT; and
- Provided thresholds and limitations on the amounts of VAT credits that can be claimed.

24. Basic/Diluted Earnings Per Share

The following table presents information necessary to compute the earnings per share:

	2007	2006	2005
Basic/Diluted Earnings Per Share			
a) Net income attributable to equity holders of Parent	**₱3,463,493,788**	₱1,446,984,209	₱467,430,048
b) Weighted average common shares	**7,159,502,205**	4,844,840,165	1,385,608,133
c) Earnings per share (a/b)	**₱0.48**	₱0.30	₱0.34

	2007	2006	2005
Basic/Diluted Earnings Per Share excluding Gain from restructuring			
a) Net income attributable to equity holders of Parent except gain from restructuring	**₱2,519,675,764**	₱1,446,984,209	₱467,430,048
b) Weighted average common shares	**7,159,502,205**	4,844,840,165	1,385,608,133
	₱0.35	₱0.30	₱0.34

25. Financial Instruments

Financial Risk Management Objectives and Policies

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The following table shows the component of the Company's capital as of December 31, 2007.

	2007	2006
Total paid-up capital	**₱27,844,016,282**	8,225,661,024
Retained earnings	**3,469,009,064**	–
Treasury shares	**(68,531,241)**	–
	₱31,244,494,105	₱8,225,661,024

Financial Risk
The Group's principal financial liabilities comprise of bank loans, loans payable, accounts and other payables, liabilities for purchased land and long-term notes in 2007 and long-term commercial papers and floating rate notes payable in 2006. The main purpose of the Group's financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as installment contracts receivable and cash, which arise directly from its operations. The main risks arising from the use of financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The BOD reviews and agrees with policies for managing each of these risks. The Group monitors market price risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the BOD.

The Group's risk management policies are summarized below. The exposure to risk and how they arise, as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk did not change from prior years.

Interest Rate Risk
The Group's exposure to market risk for changes in interest rates, relates primarily to the following financial assets and liabilities that are noninterest bearing.

The Group's policy is to manage its interest cost by entering into a mixed of fixed and floating rate debts. The Group's interest rate on US dollar denominated long-term notes has been fixed over a 15-year period. As of December 31, 2007 and 2006, 20.34% and 57.63%, respectively, of the Group's borrowings are at floating rates. The Group also regularly enters into short-term loans as it relates to its sold installment contracts receivable in order to cushion the impact of potential increase in loan interest rates.

The table below shows the financial assets and liabilities that are interest-bearing:

	2007		2006	
Financial assets	**Effective Interest Rate**	**Amount**	Effective Interest Rate	Amount
Fixed rate				
Cash	**0.50% to 5%**	**₱5,277,705,542**	0.50% to 5%	₱1,364,131,275
Short-term cash investments	**5.20% to 6 %**	**1,540,260,676**	–	–
Installment contracts receivable	**16%-19%**	**11,415,100,068**	16%-19%	6,665,165,671
Total		**₱18,233,066,286**		₱8,029,296,946

	2007		2006	
Financial liabilities	**Effective Interest Rate**	**Amount**	Effective Interest Rate	Amount
Floating rate				
Bank loans	91-day and 182-day treasury bill rates plus of 2.0% to 2.5%.	**₱254,839,576**	91-day and 182-day treasury bill rates plus spread rate of 2.0% to 2.5%.	₱376,508,653
FRN	–	–	Libor plus 2.125%	6,544,230,220
Long-term commercial papers	91-day treasury bill rates plus of 0.125% to 1%	**45,474,438**	91-day treasury bill rates plus of 0.125% to 1%	105,451,468
Fixed rate				
LTNs	8.59%.	**1,176,447,626**	–	–
Total		**₱1,476,761,640**		₱7,026,190,341

The following table demonstrates the sensitivity to a reasonably possible change in interest rates until its next annual reporting date with all other variables held constant, of the Group's 2007 profit before tax.

	Increase/decrease in interest rate	Effect on profit after tax
Bank loans	+25 bps	₱594,798
	-25 bps	(₱594,798)
LTCP	+25 bps	₱146,323
	-25 bps	(₱146,323)

There are no items that are impacted with interest rate risk which are charged directly to equity.

Foreign Exchange Risk
The Group's foreign exchange risk results primarily from movements of the Philippine peso against the United States Dollar (USD). Approximately 21.66% and 55.52% of the debt of the Group as of December 31, 2007 and 2006, respectively, are denominated in USD. The Group's foreign currency-denominated debt comprises of the LTNs in 2007 and FRNs in 2006. Below are the carrying values and the amounts in US$ of these foreign currency denominated liabilities. There are no foreign currency denominated assets.

	2007		2006	
	Peso	**US$**	Peso	US$
LTNs	**₱1,176,447,626**	**US$28,499,215**	₱–	–
FRN	–	–	6,544,230,220	US$133,474,000
Total	**₱1,176,447,626**	**US$28,499,215**	₱6,544,230,220	US$133,474,000

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate until its next annual reporting date, with all other variables held constant, of the Group's 2007 profit before tax (due to changes in the fair value of monetary liabilities). There is no impact on the Group's equity.

	Increase/decrease US dollar rates	Effect on profit before tax
LTNs	+0.02%	(₱235,290)
	–0.02%	235,290

There are no items that are impacted with foreign exchange rate risk which are charged directly to equity.

Credit Risk
The Group transacts only with recognized, creditworthy third parties. The Group's receivables are monitored on an ongoing basis resulting to manageable exposure to bad debts. Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. In addition, the credit risk for installment contracts receivable is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject house in case of refusal by the buyer to pay on time the due installment contracts receivable. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents and AFS investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group manages its cash by maintaining cash accounts with banks which have demonstrated financial soundness for several years. The Group's investments in AFS are incidental to its housing projects and are considered by the Group to be of high quality because these are investments with the biggest electric utility Company in the country.

The maximum exposure to credit risk for the components of the balance sheet in December 31, 2007 pertains to its total receivables of ₱11,415.10 million. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements. The subject lots and residential houses sold are held as collateral for the all installment contracts receivables.

The Group has no significant credit risk concentration.

The table below shows the analysis of the Group's financial assets as of December 31, 2007:

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Total of Past Due But Not Impaired	Impaired Financial Assets	Total
		<30 days	30-60 days	60-90 days	>90 days			
Installment contract receivables	₱10,661,125,621	₱83,942,667	₱57,298,498	₱39,550,273	₱140,455,801	₱321,247,239	₱432,727,208	₱11,415,100,068
Other receivables	1,494,552,358	–	–	–	–	–	233,713,934	1,728,266,292
Total	₱12,155,677,979	₱83,942,667	₱57,298,498	₱39,550,273	₱140,455,801	₱321,247,239	₱666,441,142	₱13,399,834,623
Restructured accounts out of the total neither past due nor impaired receivables	₱468,734,876	₱–	₱–	₱–	₱–	₱–	₱–	₱468,734,876
Fair values of collateral of installment contracts receivables that are past due but not impaired receivables	₱–	₱1,148,317,593	₱1,080,163,337	₱799,552,332	₱3,149,037,580	₱–	₱–	₱6,177,070,842

Those accounts that are considered neither past due nor impaired are receivables without any default in payments and those accounts wherein the management has assessed that recoverability is high. The table below shows the credit quality of those installment contracts receivable that is neither past due nor impaired.

In-house financing	₱6,929,750,036
Bank financing	3,731,375,585
Total	₱10,661,125,621

Those accounts under bank-financing are with higher credit rating than those that are under in-house financing. This is because, for accounts that are under bank-financing, the credit evaluation had been performed by two parties, the Group and the respective bank, thus credit evaluation underwent a more stringent criteria resulting to higher probability of having good quality receivables.

The repossessed lots and residential houses are put back to inventory under the account Real Estate for Sale and Held for Development and are held for sale in the ordinary course of business. The total of these inventories is ₱364.26 million and ₱235.31 million as of December 31, 2007 and 2006, respectively. The Group performs certain repair activities on the said reposed assets in order to put their condition at a marketable state. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts.

The Group did not accrue any interest income on impaired financial assets.

Liquidity Risk
The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed sufficient to finance its cash requirements. Operating expenses and working capital requirements are sufficiently funded through cash collections. The Group's loan maturity profile is regularly reviewed to ensure availability of funding through adequate credit facilities with banks and other financial institutions.

The extent and nature of exposures to liquidity risk and how they arise as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2007 and 2006.

Below is the maturity analysis of the Group's financial liabilities as of December 31, 2007. The maturity analysis is the contractual undiscounted cash flows:

	< 1 year	2 to 5 years	> 5 years	Total
Bank loans	₱177,357,830	₱91,464,387	₱3,730,603	₱272,552,820
Accounts and other payables	3,282,343,747	–	–	3,282,343,747
Liabilities for purchased land	1,805,529,833	663,754,886	31,240,000	2,500,524,719
Long-term notes	–	469,936,082	1,196,330,544	1,666,266,626
Due to related parties	484,274,541	–	–	484,274,541
Total	₱5,692,286,242	₱1,007,702,108	₱992,757,173	₱7,692,745,523

Financial Assets and Liabilities
The following table sets forth the carrying values and fair values of the Group's financial assets and liabilities recognized as of December 31, 2007 and 2006.

	2007		2006	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivable				
Cash and cash equivalents	**₱5,277,705,542**	**₱5,277,705,542**	₱1,364,131,275	₱1,364,131,275
Short-term investments	**1,540,260,676**	**1,540,260,676**	–	–
Installment contract receivables	**11,415,100,068**	**19,406,296,638**	6,665,165,671	6,665,165,671
Receivable from related parties	**–**	**–**	585,751,441	585,751,441
	18,233,066,286	**26,224,262,856**	8,615,048,387	8,615,048,387
AFS investments	**304,714,824**	**304,714,824**	151,666,058	151,666,058
Total Financial Assets	**₱18,537,781,110**	**₱26,528,977,680**	₱8,766,714,445	₱8,766,714,445
Financial Liabilities at Amortized Cost				
Bank loans	**254,839,576**	**253,592,677**	376,508,653	378,337,336
Accounts payable and other payables	**3,282,343,747**	**3,282,343,747**	5,436,723,665	5,436,723,665
Liabilities for purchased land	**2,445,567,331**	**1,826,922,175**	983,623,130	909,302,250
LTNs	**1,176,447,626**	**1,260,511,132**	–	–
Long-term commercial papers and floating rate notes	**45,474,438**	**41,455,529**	6,649,681,688	6,637,036,212
Loans payable	**–**	**–**	4,950,511,348	5,702,837,966
Total Financial Liabilities	**₱7,204,672,718**	**₱6,664,825,260**	₱18,397,048,484	₱19,064,237,429

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Financial Assets
The fair values of cash and short-term receivables approximate their carrying amounts as of balance sheet dates due to the short-term nature of the transactions.

The fair values of long-term contracts receivable are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms of maturity. The discount rate used ranged from 5.60% to 8.30% in 2007 and 2006.

For AFS investment in unquoted equity securities, these are carried and presented at cost since fair value is not reasonably determine due to the unpredictable nature of future cash flows and without any other suitable methods of arriving at a reliable fair value approximate its fair value.

The AFS investments carried at cost are preferred shares of a utility company issued to the Group as a consequence of its subscription to the electricity services of the said utility company needed for the Group's residential units. The said preferred shares have no active market and the Group does not intend to dispose these because these are directly related to the continuity of its business.

Financial Liabilities
The fair values of accounts and other payables and accrued expenses and payables to affiliated companies approximate their carrying amounts as of balance sheet dates due to the short-term nature of the transactions.

Estimated fair value of long-term loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest rates used in discounting cash flows ranges from 5% to 7% in 2007, 4% to 7% in 2006, and 10% to 13% in 2005 using the remaining terms to maturity.

26. **Equity**

Capital Stock
Below is the movement of the authorized, issued and outstanding capital stock:

Number of shares	Authorized	Outstanding
Beginning of year	4,000,000	1,000,000
Increase	11,996,000,000	8,537,740,614
Buyback	–	(13,258,000)
End of year	12,000,000,000	8,525,482,614

Retained earnings
Retained earnings is restricted up to the extend of the treasury shares and gain from the restructuring gain amounting to ₱68.53 million and ₱1,443.54 million, respectively, in 2007.

27. Subsequent events

On April 1, 2008, the Board of Directors approved the declaration of cash dividends of 20% to all stockholders of record as of April 16, 2008.

28. Notes to statements of cash flows

Below are the non-cash investing and financing transactions for 2007.

Gain from restructuring of FRNs	₱1,443,542,689
Conversion of FRNs to LTNs	(1,287,307,692)
Conversion of FRNs to Equity	(6,287,347,218)
Offseting of LTCPs with related party receivable	100,678,946

29. Contingencies

The Group has various contingent liabilities from legal cases arising from the ordinary course of business which are either pending decision by the courts or are currently being contested by the Group, the outcome of which are not presently determinable.

SGV & Co

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891-0307
Fax: (632) 819-0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-1

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Vista Land & Lifescapes, Inc.
Las Piñas Business Center
National Road Talon, Las Piñas City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Vista Land & Lifescapes, Inc. included in this Form 17-A and have issued our report thereon dated April 1, 2008. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code (SRC) Rule 68.1 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-1
Tax Identification No. 102-082-365
PTR No. 0017583, January 3, 2008, Makati City

April 1, 2008

VISTA LAND & LIFESCAPES, INC.
SCHEDULE A - MARKETABLE SECURITIES

NAME OF ISSUING ENITY & ASSOCIATION OF EACH ISSUE	NO. OF SHARES OR PRINCIPAL AMOUNT	AMOUNT IN THE BALANCE SHEET	VALUED BASED ON MARKET QUOTATION AT BALANCE SHEET DATE	INCOME RECEIVED & ACCRUED
Total	-	-	-	-

Not Applicable. The Company has no marketable securities as of December 31, 2007

VISTA LAND & LIFESCAPES, INC.
SCHEDULE B - ACCOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER

					ENDING BALANCE		
NAME	BEGINNING BALANCE	ADDITION	COLLECTION	AMOUNT WRITTEN OFF	CURRENT	NON CURRENT	TOTAL
Not Applicable							-
							-
Total	-	-	-	-	-	-	-

VISTA LAND & LIFESCAPES, INC.

SCHEDULE C - INVESTMENT SECURITIES

	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE		
NAME OF COMPANY	NO. OF SHARES	AMOUNT IN PESOS	EQUITY IN EARNING(LOSSES) OF INVESTEES FOR THE PERIOD	OTHERS	DISTRIBUTION OF EARNINGS BY INVESTEES	OTHERS	NO. OF SHARES	% OF EFFECTIVE OWNERSHIP	AMOUNT IN PESOS
Polar Property Holdings Corp.	491,569,605	480,955,923.00	110,691,548.00	-			491,569,605.00	10%	591,647,471.00
Total	**491,569,605**	**480,955,923.00**	**110,691,548.00**	**-**			**491,569,605.00**	**10%**	**591,647,471.00**

VISTA LAND & LIFESCAPES, INC.
SCHEDULE D - ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

NAME OF RELATED PARTIES	BALANCE AT BEGINNING OF PERIOD	BALANCE AT END OF PERIOD	REMARKS
NOT APPLICABLE	-	-	
Total	**-**	**-**	

VISTA LAND & LIFESCAPES, INC.
SCHEDULE E - PROPERTY & EQUIPMENT

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS AT COST	RETIREMENTS	OTHER CHARGES ADDITIONS/ (DEDUCTIONS)	ENDING BALANCE
Land & Building	4,268,386.00	-	-		4,268,386.00
Transportation Equipment	106,454,496.00	22,457,529.00	(2,579,423.00)		126,332,602.00
Office Furniture, Fixtures and Equipment	169,872,200.00	215,880.00	-		170,088,080.00
Construction Equipment	33,934,812.00	6,867,755.00	(4,230,327.00)		36,572,240.00
Other Fixed Assets	69,901,367.00	17,137,573.00	(6,299,834.00)		80,739,106.00
Total	**384,431,261.00**	**46,678,737.00**	**(13,109,584.00)**	**-**	**418,000,414.00**

VISTA LAND & LIFESCAPES, INC.
SCHEDULE F - ACCUMULATED DEPRECIATION

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COST & EXPENSES	RETIREMENTS	OTHER CHARGES ADDITIONS/ (DEDUCTIONS)	ENDING BALANCE
Land & Building	426,838.00	74,289.00	-		501,127.00
Transportation Equipment	78,173,527.00	16,226,419.00	(2,579,423.00)		91,820,523.00
Office Furniture, Fixtures and Equipment	148,869,863.00	15,319,999.00			164,189,862.00
Construction Equipment	30,418,138.00	1,367,289.00	(4,230,327.00)		27,555,100.00
Other Fixed Assets	57,539,475.00	10,014,464.00	(6,299,834.00)		61,254,105.00
Total	**315,427,841.00**	**43,002,460.00**	**(13,109,584.00)**	**-**	**345,320,717.00**

VISTA LAND & LIFESCAPES, INC.
SCHEDULE G - INTANGIBLE ASSETS

Not Applicable. The Company has no intangible assets as of December 31, 2007

VISTA LAND & LIFESCAPES, INC.
SCHEDULE H - LONG TERM DEBT

TITLE OF ISSUE & TYPE OF OBLIGATION	AMOUNT AUTHORIZED BY INDENTURE	CURRENT PORTION OF LONG TERM DEBT	LONG TERM DEBT	INTEREST RATE	AMOUNT	NO OF PERIODIC INSTALLMENT	MATURITY DATE
LTCP	3,000,000,000.00	-	45,474,438.00	10.0%	4,547,443.80	payable quarterly;subject to repricing every 91 days	13-Nov-03
Long term Notes	1,176,447,626.00	-	1,176,447,626.00	8.6%	101,056,851.07	payable over 15 years	1-Mar-22
Total	**4,176,447,626.00**	**-**	**1,221,922,064.00**		**105,604,294.87**	**-**	

VISTA LAND & LIFESCAPES, INC.
SCHEDULE I - INDEBTEDNESS TO AFFILIATES AND RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)

NAME OF AFFILIATE	BALANCE AT BEGINNING OF PERIOD	BALANCE AT END OF PERIOD	REMARKS
NOT APPLICABLE		-	-
Total		**-**	**-**

Not Applicable. The company has no indebtedness to affiliates and related parties as of December 31, 2007

VISTA LAND & LIFESCAPES, INC.
SCHEDULE J - GUARANTEE OF SECURITIES OF OTHER ISSUER

NAME OF ISSUING ENTITY OF SECURITIES GUARANTEED BY THE COMPANY FOR WHICH THIS STATEMENT IS FILED	TITLE OF ISSUE OF EACH CLASS OF SECURITIES GUARANTEED	TOTAL AMOUNT GUARANTEED & OUTSTANDING	AMOUNT OWNED BY PERSON FOR WHICH STATEMENT IS FILED	NAME OF GUARANTEE
Total				

Not Applicable. The Company does not have guarantee on securities issued by other issuer as of December 31, 2007.

VISTA LAND & LIFESCAPES, INC.
SCHEDULE K – CAPITAL STOCK

TITLE OF ISSUE	NO. OF SHARES AUTHORIZED	NO. OF SHARES ISSUED & OUTSTANDING	NO. OF SHARES RESERVED FOR OPTIONS, WARRANTS, CONVERSION & OTHER RIGHTS	NO. OF SHARES HELD BY AFFILIATES	NO. OF SHARES HELD BY DIRECTORS, OFFICERS AND EMPLOYEES	OTHERS
Common Stock , P1 par value	12,000,000,000	8,525,482,614	-	5,242,078,669.00	810,532.00	3,282,593,413.00

Beginnig Balance		1,000,000
Issuances:	Increase in Capital Stock	1,508,651,456
	Tender Offer	4,909,089,158
	Follow-on Offering	2,120,000,000
	Total Issued	**8,538,740,614**
	Treasury Shares	13,258,000
	Issued & Outstanding Shares	**8,525,482,614**