SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 11 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the year ended DECEMBER 31, 2003

2. SEC Identification Number ASO 94-00011164

3. BIR Tax Identification No. 004-504-224

4. C&P Homes, Incorporated

   Exact name of the registrant as specified in its charter

5. Metro Manila, Philippines

   Province,country or other jurisdiction of incorporation

6. Industry Classification Code (SEC Use Only)

7. Camella Center, National Road, Las Pinas City

   Address of Principal Office Postal Code

8. 772-10-93 / 718-40-20

   Registrant's telephone number, including area code

9. Not Applicable

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

10. Securities registered pursuant to Sections 4 and 8 of the SRC

Title of each Class	Number of Shares of common stock outstanding
Common stock	**4,796,071,929**

11. Are any of the registrant's securities listed on the Philippine Stock Exchange?

Yes [x] No [ ]

12. Check whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates

Of the 4,796,071,922 common shares outstanding as of December 31,2003, a total of 1,043,958,128 shares, representing 21.77% of the total shares outstanding, are held by the public. At the closing price of PhP 0.16 as of December 31, 2003, these would have a market valuation of PhP167.0 million.

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PART I BUSINESS AND GENERAL INFORMATION

ITEM 1 BUSINESS

1. BACKGROUND

C&P Homes,Inc. was incorporated in December 1994 primarily to engage in the land or real estate business. It is the holding company to consolidate the operations of Household Development Corporation(HDC), Palmera Homes,Inc(PHI), Communities Philippines,Inc.(CPI), Communities Philippines Holdings,Inc.(CPHI)and C&P Homes,International Limited(C&P Cayman).C&P(Cayman) was incorporated in 1997.

2. PRODUCTS

The Company's products are sold under the brand names Camella and Crown Asia. Old projects carry the brand names Palmera and Carissa. Camella and Palmera brands caters to segment *B,C and D* markets(low to middle-income . Carissa brand focuses on socialized housing projects that caters segment *D* and *E* market.

Below are the details of Principal production or services and their markets indicating their relative contribution to sales or revenues of each product or service:

Brand	Product	Price Range	% of Contribution To Sales	Lot Size	Floor Area
Crown Asia	house & lot package, lots	900thousand-3 million	14%	88-150sqm	48-140sqm
Camella/Palmera	house & lot package,lots	200thousand-1 million	86%	4 0-120sqm	25-70sqm
Carissa	house & lot package	above 200 Thousand	-	33-35sqm	18-25sqm

3. DISTRIBUTION METHODS OF PRODUCTS

Homes and lots only are principally sold through a network of brokers and in-house marketing subsidiaries who in turn use agents or property consultants to introduce the Company's products to potential buyers. The selling network earns commission and other incentive on every sale or quota of sales that passes the requirements.

4. DEVELOPMENT OF THE BUSINESS OF THE REGISTRANT AND ITS SUBSIDIARIES DURING THE PAST THREE YEARS.

Household Development Corporation and its wholly owned subsidiaries: Casa Regalia, Incorporated, Harpers Ville, Inc.,Ridgewood Estates, Inc.,San Marino Homes, Inc.

Palmera Homes, Incorporated and its wholly owned subsidiaries: Carissa Homes Development & Properties Inc. (CHDPI),Eastridge Estates, Inc.(EEI), Northwinds Prime Properties,Inc.(NPPI) and Towns and Villas,Inc.(TVI). As of December 31,2003. Towns and Villas,Inc. which was incorporated on May 17, 1996, has not started commercial operations.

Communities Philippines,Inc.(CPI) and its wholly owned subsidiaries: Communities(Cagayan),Inc. and Communities(Cebu),Inc. Communities(Cebu)Inc.,which was incorporasted on August 30, 1995,has not started commercial operations as of December 31, 2003.

Communities Philippines Holdings, Inc.(CPHI) and its wholly owned subsidiaries: Communities(Pangasinan),Inc.,and Communities(Batangas),Inc. Communities(Pangasinan),Inc. started commercial operations in 2003.

C&P Homes, International Limited(Cayman)which was incorporated on May 9, 1997 with limited liability and registered under the Companies Law of the Cayman Islands for an unlimited duration . C&P Cayman's foreign operations are an integral part of the operations of the Parent Company.

The Company conducts virtually all of its operations through its wholly owned subsidiaries, HDC,PHI,CPI and CPHI. These subsidiaries and their respective wholly owned subsidiaries are principally engaged in the development and marketing of low and medium cost homes, priced from PhP 300,000.00 to PhP3,000,000 in the communities in different geographic regions in the Philippines.

HDC,PHI,CPI and CPHI are each involved in the acquisition of undeveloped land, the planning and design of community developments, the securing of regulatory approvals for development and sale, the processing of mortgage financing for homebuyers, the supervision of land development and house construction and the marketing and selling of new homes and lots only.

1. ANY BANKRUPTCY, RECEIVERSHIP or SIMILAR PROCEEDING

As of December 31,2003, there are no bankruptcy, receivership or similar proceedings involving the Company.

2. ANY MATERIAL RECLASSIFICATION, MERGER, CONSOLIDATION or PURCHASE or SALE of SIGNIFICANT AMOUNT of ASSETS NOT IN THE ORDINARY COURSE OF BUSINESS.

As of December 31,2003, there is no reclassification, merger, consolidation or purchase or sale of a significant amount of assets that are not in the ordinary course of business except the following:
Disposition of real estate properties and receivables of certain subsidiaries amounting to P1.747 billion and P1.362 billion, respectively, in 2002 in settlement of payables of other subsidiaries to certain related parties.

3. DESCRIPTION of the BUSINESS of the REGISTRANT and its SUBSIDIARIES

The operations of the Company and its subsidiaries have been significantly affected by the general decline in the real estate industry. Sales volumes have been substantially reduced on account of, among others, selective credit granting policies, restricted availability of credit and temporary slowdown of real estate development.

As a result of the foregoing conditions, the C&P Group incurred significant losses that resulted in a deficit of P9.58 billion and P9.52 billion as of December 31,2003 and 2002 respectively. Furthermore, the cashflow generated by C&P Group is not sufficient to settle its maturing interest-bearing obligations and to service the interest requirements starting August 1999 and November 1999 of the outstanding Long-term Commercial Papers (LTCPs) and Floating Rate Notes Payable (FRNs), respectively. As of December 31, 2003 and 2002, the C&P Group bank loans and notes payable (excluding accrued interest thereon) totaled P10.92 billion and P11.05 billion , respectively. The interest expense on such obligations amounted to about P0.8 billion, P1.1 billion and 1.2 billion for the years ended December 31, 2003, 2002 and 2001, respectively.

These factors, among others, indicate the existenceof material uncertainty which may cast significant doubt about the Parent Company's and certain subsidiaries' ability to continue as a going concern.

Management is implementing measures which are geared towards generating liquidity to meet customer commitments and at the same time strengthen the overall financial viability of the C&P Group. The more significant components of these measures are as follows: *Dacion*- certain properties will be dacioned to the banks in settlement of debt; *Sale of Certain Assets*- certain assets have been identified by management for disposition to provide the Company and its subsidiaries with additional liquidity; Rationalization and streamlining of the Operations of the Company and its subsidiaries administrative and support services.

4. COMPETITION

The extent and methodology of the company's competition varies by geographic location, price segment, product differentiation including the amenities, after sales service and support
Integrated with the product.

The Company operates in CALABARZON provinces in South Luzon and in Bulacan, San Mateo Rizal and Caloocan in the North. It also has operations in regional areas namely Cebu, Cagayan de Oro, Batangas and Pangasinan.

In the market for house and lot packages, the Company faces stiff competition including competition from developers of residential condominium units, townhouses and lots only .The Company's competitors include, among others, Laguna Properties Holdings Inc, Filinvest Land Inc., Sta Lucia Development Corp, Empire East, Robinson's Land, Stateland, Extraordinary Development Corp and Jardine land.

Despite these odds, the Company has maintained its leadership position in the housing industry.

5. SUPPLIERS

Construction is undertaken by independent contractors. The Company procures most of the materials used by contractors, using its position as a large and regular purchaser of building materials to secure favorable terms and assured supplies. The Company uses a selected group of suppliers for each of the main categories of required materials in order to maximize the benefit of being a large purchaser while avoiding being dependent on any one supplier. The primary supplies required by the Company are concrete hollow blocks, cement, roofing materials, steel bars, windows, doors and plumbing fixtures. Many of the Company's supplies are purchased as pre-fabricated components.

The Company has dealings with a number of suppliers and contractors and is not dependent upon one or limited number of suppliers. Major suppliers and contractors are as follows: MGS, Rapid Forming Corp., Architex, C.A. Ordinanza, TC Carlo, Pacific Paints, Earth Industrial, Ramolasa Construction, Ceballos Builders, Inc. and CRV Construction.

6. DEPENDENCE ON A FEW MAJOR CUSTOMERS

By the nature of its operations, the Company is not dependent on repeat business from customers.

7. DEPENDENCE ON RELATED PARTIES

Although the Company's majority shareholder has business interests in other real estate firms and other companies, all transactions with these companies are entered into at arm's length terms and part of the regular course of trade or business. The Company is likewise not dependent on the services or assistance of any of these companies. The transactions with related parties pertain to the supply of construction materials and some land development contracts obtained through biddings and negotiations.

8. NEED FOR GOVERNMENT APPROVAL/GOVERNMENTAL REGULATIONS AFFECTING THE COMPANY.

By the nature of its business, the Company is subject to government regulations on its land development and marketing activities. These include zoning and environmental laws, development permit and license to sell regulations, among others. The company complies with these regulations.

9. RESEARCH AND DEVELOPMENT COSTS

Research and development activities such as training and contractor's development program are treated as normal operating expense except for some introduction of new model houses, which, though factored into the cost of final product, does not materially affect its costs.The amount spent for said activities totaled to P8.0M or .4%of Net Sales, P6.1M and P7.2M for the calendar year 2001, 2002 and 2003 respectively.

10. NUMBER OF EMPLOYEES

The Company had 159 employees as of December 31, 2003 broken down into 55 employees for the operations defined as marketing, production and technical services, 59 employees for central support such as accounting and finance, planning, information and technology and 45 employees from the administrative group. The company expects to rationalize and streamline operations including the consolidation of the subsidiaries admin and support services in the running twelve months. The Company has no existing collective bargaining agreement. In addition to the regular remuneration packages being given by the Company, it also adopts a performance-based incentive scheme to employees holding strategic positions as well as educational and foreign travel grants.

11. RISKS

In each of the businesses of the Company and Subsidiaries would inevitably involve some risks factors as:

Competition
Socio-economic conditions of the country
Effect of the changes in global economy
Foreign exchange devaluation
Changes in the country's political and economic situation
Inflation of prices affecting the cost of goods sold
Reforms in the applicable rules and regulations affecting the Philippine Real Estate industry
Changes in Philippine and International interest rates, with respect to the Company's borrowings

To mitigate the aforementioned risks, the Company shall continue to adopt prudence in financial management and discipline in the area of operational controls, policies and procedures. With respect to competitive pressures among the industry players, the Company shall continue to compete in the basis of project concept, quality of projects, affordability of units, location of the community in which the project is located, value enhancement thru project management and financing.

ITEM 2 PROPERTIES

Below is the summary of properties owned by the Company free of liens unless otherwise noted :

Location	Book Value (In billions)	% of total
Cavite**	10.4	74%
Batangas	0.2	2%
Laguna	0.0	0%
NCR	0.5	4%
Bulacan	2.1	15%
Antipolo/Teresa, Rizal**	0.3	2%
Cebu	0.2	1%

Cagayan	0.2	2%
Pangasinan	0.0	0%
	14.0	100%

The real estate properties owned by C&P, through its wholly owned subsidiaries, consists of developed lots and land held for development. Most of these properties are located in the CALABARZON provinces in South Luzon and in Bulacan, Antipolo, San Mateo Rizal and Caloocan in the North.It also has landholdings in Cebu, Cagayan de Oro, and Pangasinan.

Some of these real estate properties are used to secure various short-term loan obligations with banks and some property owners. In 2003, real estate for sale and development with a carrying amount of P955.6 million were pledged as a collateral to secure the C&P Group's bank loans.

Deposits for real estate purchases represent the subsidiaries' payment 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 subsidiaries of the full contract prices of the real estate properties, the subsidiaries already have physical possession of the original transfer certificates of title (TCTs) of the said properties. As of December 31, 2003, the unpaid commitments of the subsidiaries for the acquisition of the foregoing reals estate properties amounted to about P132.02 million.

The operation of each of the Company's principal subsidiaries are based in separate leased office buildings. HDC conducts its operations at Las Pinas Business Center and at the 2nd flr. Metropolis Star, Alabang, Muntinlupa City and PHI occupies the 3rd floor and Grnd. Flr. of Star Mall, Mandaluyong City. There are regional leased offices in Cebu, Batangas, Cagayan de Oro, and Pangasinan.The Company renewed its leased properties every two to three years and spent about 5.7M per year for the rental.

The Company also owns various items of property and equipment, consisting of office furniture, vehicles and construction equipment. These properties are free from any lien or encumbrance.

With 14 Billion worth of of real estate properties, the Company does not intend to acquire real estate land for sale and development. Nevertheles, the Company is open to offers from strategic property owners on joint venture agreements.

ITEM 3 LEGAL PROCEEDINGS

As of December 31, 2003, there were no material legal proceedings in which C&P or any of its subsidiaries was a party.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders for the period ended December 31, 2003.

PART II OPERATIONAL AND FINANCIAL INFORMATION

Item 5 Market for Registrant's Common Equity and Related Stockholder Matters

1. Market Information

The Company was listed on the Philippine Stock Exchange on July 31,1995
The high and low sales prices for each quarter within the last two fiscal years as traded on the Philippine Stock Exchange follow:

		HIGH	LOW
2002	**First Quarter**	**0.31**	**0.22**
	Second Quarter	**0.24**	**0.20**
	Third Quarter	**0.19**	**0.18**
	Fourth Quarter	**0.18**	**0.15**
2003	**First Quarter**	**0.16**	**0.12**
	Second Quarter	**0.22**	**0.14**
	Third Quarter	**0.27**	**0.18**
	Fourth Quarter	**0.205**	**0.16**

2004	**First Quarter**	**0.175**	**0.125**

2. HOLDERS

C&P had 3,314 shareholders as of December 31,2003. Common shares outstanding totaled 4,796,071,922

The top 20 stockholders as of said date, with their corresponding ownership follow:

NAME	SHARES HELD	%OWNERSHIP
FINE PROPERTIES,INC.	2,878,929,304	60.03%
PCD NOMINEE CORPORATION(Foreign)	826,489,529	17.23%
BRITTANY CORPORATION	461,977,800	9.63%
GOLDEN HAVEN MEMORIAL PARK.INC.	170,047,200	3.55%
PCD NOMINEE CORPORATION	104,904,036	2.19%
ADELFA PROPERTIES,INC.	49,469,850	1.03%
ABACUS CAPITAL & INVESTMENT CORP.	34,000,000	0.71%
LANDMASS DEVELOPMENT CORPORATION	24,000,000	0.50%
JOHN T. LAO	15,020,000	0.31%
GILBERT MARTIRES	11,000,000	0.23%
JOSE F. CERVANTES	6,940,000	0.14%
UY CHUN BING	6,800,000	0.14%
WILSON ONG	6,142,000	0.13%
ALBERT SANCHEZ &/OR GERTRUDE NANCY T. SANCHEZ	5,590,000	0.12%
BASILIO S. BARRETTO	5,360,000	0.11%
SULFICIO TAGUD JR. &/OR ESTER TAGUD	4,015,000	0.08%
TOMAS L. CHUA	4,000,000	0.08%
EMMA R. YEUNG &/OR JOHN THOMAS R. YEUNG	3,940,000	0.08%
WONG CHO PING	3,670,000	0.08%
WONG CHO PING &/OR ERLINDA C. WONG	3,330,000	0.07%

3. DIVIDENDS

The Company did not declare any dividends in 2003 and 2002. The payment of dividends will be dependent on the Company's profits, capital expenditures and investment requirement. There have been no restrictions that limit the ability to pay dividends on common equity other than the above mentioned condition.

3. RECENT SALES OF UNREGISTERED SECURITIES

There have been no sales of unregistered securities in the past three years.

ITEM 6
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS

2003

In 2003, Company reported sales of P1.785 billion down by 20% from P2.234 billion in 2002 and operating profit of P372.9 million, down by 7% from an operating profit of P402.6 million in 2002. Decrease in profit was due to a lower realization of deferred gross profit on prior years sales amounting to P527.5 million in 2003 vs P733.8 million in 2002. Interest Income decreased by 31% in 2003 vs 2002 primarily due to shift of buyers preference to avail of deferred cash/bank financing and effect of sale of receivables to generate cash. Increase in Miscellaneous income was brought about by the change in the estimated development cost of the Group's real estate projects in prior year's sales amounting to P629.76 million. The change has beeen accounted for prospectively and resulted in the decrease in liabilities.

The management is continuously implementing measures to further reduced cost, thus, resulting to a lower operating expense ratio over sales of 20% in 2003 as compared to 24% in 2002. In spite of the positive operating results and the net cash provided by operating activities, the Company still reported a net loss of P0.059 billion due to interest charges and foreign exchange losses of P1.219 billion and provision for probable losses on assets totaling to P125.2 million. Of the P1.219 billion, P348.5 million pertains to unrealized forex loss differential. The provision for probable losses on assets amounting to P125.2 million substantially represents allowance for doubtful accounts on outstanding Receivables.

The Company's operations have been significantly affected by the general decline in the real estate industry. The low cost housing sector was faced with reduced sales volume on account of selective credit granting policies. To address the deterioration in the financial and operating conditions of the Company and its subsidiaries, management is still implementing measures which are geared towards generating liquidity to meet customer commitments and at the same time strengthen the overall financial viability of the Company and its subsidiaries. The more significant components of these measures are sale of certain assets, rationalization and streamlining of the operations of the Company and its subsidiaries administrative and support services, continuing settlement of obligations through outright and unconditional sale of real estate properties as well as to focus on core business expertise specifically to cater to the mass housing needs.

Material Changes in the 2003 Financial Statements
(increase/decrease of 10% or more versus 2002)

Balance Sheet

53% Increase in Cash
Mainly due to cash generation activity of the Company and collection of Installment/Contracts Receivables and increase in reservation sales.

11% Increase in Receivables
Mainly due to increase in long term installment contracts coming from regular sales.

32% increase in Investment in Shares of stocks
Mainly due to investment in deconsolidated subsidiaries in which the Company has remaining equity interest of P27.9 million as of December 31, 2003 which are subsequently accounted for at cost.

26% decline in Property and Equipment
Pertains to the normal depreciation or amortization of depreciable assets.

18% Increase in Other Assets
Primarily due to increase in prepaid taxes by P26 million in 2003

5% decrease in Bank loans
Mainly due to payment of obligations to I-Bank and Equitable Bank amounting to 43 Million.

21% Increase in Loans Payable
Related to the reduction in Deposits on Real Estate Purchase as undertakings and conditions are met to real estate property sellers and also reclassification of some accounts to Undeveloped Land as undertakings and conditions of certain properties are met paving the way to the execution of Deeds of Absolute Sale to the extent of fulfilled agreements.

72% Increase in Income Tax Payable
mainly due to a higher taxable income in 2003 vs 2002

146% Increase in Estimated Liability on Property Development
Primarily due to increase in recognition of liability to construct houses resulting from sales with longer downpayment terms.

7% Increase in Customer Advances and Deposits
Primarily due to a higher level of reservation sales vis-à-vis last year.

Income Statement

20% decrease in Real Estate Sales-net
Basically due to lower realization of deferred gross profit on prior years sales at P527.5 million in 2003 vs P733.8 million in 2002.

34% decrease in Operating Expenses
There was 4% improvement in the General and Administrative Cost ratio over Sales in 2003 due to the successful implementation of the streamlining of operations.

31% decrease in Interest Income
Primarily due to shift of buyer's preference to avail of deferred cash financing and effect of sale of Installment Receivables to generate cash.

71% Increase in Miscellaneous Income
Mainly due to change in the estimated development cost pertaining to prior year's sales amounting to P629.76 million. The change has been accounted for prospectively as reflected in 2003 Miscellaneous Income account.

56% decline in Provisions for Probable Losses on Assets
Primarily due to improvement in quality of receivables .

TOP FIVE(5) KEY PERFORMANCE INDICATORS

Following are the comparative top 5 key performance indicators considered by the Company for 2003 and 2002:

Indicator	2003	2002
Sales Growth	-20%	10%
Gen. & Admin Ratio over Sales	20%	24%
Current Ratio	.23 : 1	.20 : 1
Return on Assets	-0.34%	-4.10%
Return on Equity	-52%	-88%

Sales Growth = Current Years' Real Estate Sales over Prior Years' Sales
For 2003, the Company registered slight decrease in sales- net of deferred gross profit on prior years sales vs 2002. Though, bulk of the sales generated in current year pertain to open market sales compared to prior years' sales which has higher sales arising from settlement of loan obligation through dacion en pago arrangement.

Decrease in General and Admin Expenses = Gen & Admin Expenses over Sales
The improvement of General and Administrative Expense Ratio over Sales was due to the successful implementation of the streamlining of operations of the Company and its subsidiaries administrative and support services.

Current Ratio = Current Assets(Cash/Short-term Receivables over Short-term Bank loans/AP and Accrued Expenses
Slight improvement in quick assets due to restructured portion of the Long-term loans from the bank and higher level of reservation sales in 2003 vs 2002.

Return on Assets = (Net loss) or Income/ Total Assets(beg. of the year)
Due to an improved bottomline after interest and taxes, the Company posted a dramatic improvement in this ratio.

Return on Equity = (Net Loss)or Income/Stockholders' equity(beg. of the year)
Due to an improved bottomline after interest and taxes, the Company posted a dramatic improvement in this ratio.

Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The registrant shall indicate balance sheet conditions or income or cash flow items that it believes may be indicators of its liquidity condition.

The Company sourced its capital requirements through a mix of internally generated cash, sale of liquid assets like installment contracts receivables, pre-selling and joint venture undertakings. The Company does not expect any material cash requirements beyond the normal course of the business.

Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

None, except for those items disclosed in Note 21 of the 2003 Audited Financial Statements.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period except those disclosed in the 2003 Audited Financial Statements.

2002

In 2002, Company reported sales of P2.234 billion up by 15% from P1.950 billion in 2001 and operating profit of P404 million, up by 808% from an operating loss of P50.1 million in 2001. Increase in profit was mainly due to the substantial reduction in the Cost of Real Estate Sales of the Company arising from value re-engineering of cost details and structure as cost ratio over Net Sales decreased from 58% in 2001 to 53% in the same period of 2002. Significant cost reduction has also been made in 2002 in Operating Expenses as its ratio over sales stood to a low level of 28% compared to 44% in 2001. One of the more successful measures implemented by Management is the rationalization and streamlining of the operations of the Company and its subsidiaries and consolidation of the administrative and support group services that resulted to a P277 million cost savings. In spite of the positive operating results, and the net cash provided by operating activities the Company still reported a net loss of P0.970 billion due to interest charges and foreign exchange losses of P1.377 billion and provision for probable losses on assets totaling to P284 million. Of the P1.377 billion, P267 million pertains to unrealized forex loss differential. The provision for probable losses on assets amounting to P284 million represents allowance for doubtful accounts on outstanding Receivables. The Company's operations have been significantly affected by the general decline in the real estate industry. The low cost housing sector was faced with reduced sales volume on account of selective credit granting policies. In response to the reduced sales volume in the low cost segment, the Company rationalizes its sizeable inventory of rawland for socialized housing projects that it cannot really dispose of given the unfavorable market conditions such that certain Affiliate of the Company accepted portion of said properties at the fair market value resulting to a loss on disposal of property amounting to P322 million which formed part of the Miscellaneous income(charges) account in 2002. Moreover, there was a decline in Miscellaneous income(charges) brought about by fewer transactions involving settlement of the loans through outright and unconditional sales of real estate properties. As explained in Note 11 of the attached consolidated Financial Statements, gains or losses coming from sale transactions of undeveloped land and investments real estate properties were recorded as part of the Miscellaneous income-net account in the revenues section of the consolidated statements of income.

To address the deterioration in the financial and operating conditions of the Company and its subsidiaries, management is still implementing measures which are geared towards generating liquidity to meet customer commitments and at the same time strengthen the overall financial viability of the Company and its subsidiaries. The more significant components of these measures are sale of certain assets, rationalization and streamlining of the operations of the Company and its subsidiaries administrative and support services, continuing settlement of obligations through outright and unconditional sale of real estate properties as well as to focus on core business expertise specifically to cater to the mass housing needs. In this regard, three subsidiaries of the Company, namely, PHI, HDC and CPHI, waived their pre-emptive rights in favor of a new investor to subscribe to the increase in authorized capital stock of Crown Asia Properties, Inc., Crown Asia Properties(North), Inc. and its wholly owned subsidiary Masterpiece Properties, Inc. and Communities(Davao), Inc. and Communities(Iloilo),Inc., respectively, which resulted in the reduction of HDC's, PHI and CPHI's interest on these companies to 5% with net dilution gain of P347 million. The remaining equity interests in these companies is carried at the proportionate carrying amount of the net assets of the subsidiaries prior to deconsolidation and are subsequently accounted for at cost that resulted to a net dilution gain of P.004 million in 2002. Also in 2002, one of the Company's subsidiaries sold its investments in Brittany Estate Corporation.

Material Changes in the 2002 Financial Statements
(increase/decrease of 10% or more versus 2001)

Balance Sheet

45% decline in Cash
Mainly due to payment in 2002 of the liability on land development cost and property development as said account posted a net decrease of P536 million inspite of a 15% increase in registered net sales for 2002 vs 2001.

45% decline in Receivables
Primarily due to cash generation activity of the Company via sale of Installment receivables to the banks and effect of deconsolidated subsidiaries and disposed subsidiary with receivables amounting to p1.06 billion as of December, 2002.

21% decline in Subdivision Land for Sale and Development-net
Mainly due to settlement of obligations through dacion en pago arrangements of certain undeveloped land owned by a subsidiary totaling P2.33 billion and effect of deconsolidated subsidiaries and disposed subsidiary with account balance of P1.17 billion as of December 31, 2002 and the remaining pertains to the cost of lots sold in 2002.

20% decline in Residential Units for Sale and Development
Mainly due to cost of houses sold as well as the effect of deconsolidated subsidiaries and disposed subsidiary with account balance of P104 million as of December 31, 2002.

49% increase in Investment in Shares of stocks
Mainly due to investment in deconsolidated subsidiaries in which the Company has remaining equity interest of P27.9 million as of December 31, 2002 which are subsequently accounted for at cost.

43% decline in Property and Equipment
Pertains to the normal depreciation or amortization of depreciable assets particularly the Investment in Systems Development pertaining to Information Technology.

37% decline in Deposits on Real Estate Purchase
Largely accounted by the Company's strategy of using its existing rawland property to pay-off debt obligation to local banks and also reclassification of some accounts to Undeveloped Land as undertakings and conditions of certain properties are met paving the way to the execution of Deeds of Absolute Sale to the extent of fulfilled agreements. Whereas the value of deconsolidated subsidiaries and disposed subsidiary as of December 31, 2002 amounted to P506 million.

42% decline in Other Assets
Primarily due to utilization of accounts to offset prepaid creditable withholding tax vs tax liability and rationalization of the level of construction materials inventory.

51% decline in Bank Loans
Mainly due to pay off of obligations to Export Bank, I-Bank, Equitable Bank and BPI totaling to about P908 million mainly thru exchange of properties.

52% decline in Loans Payable
Related to the reduction in Deposits on Real Estate Purchase as undertakings and conditions are met to real estate property sellers.

30% decline in Income Tax Payable
mainly due to lower taxable income in 2002 vis-à-vis available prepaid creditable withholding tax on certain subsidiaries of the Company.

28% decline in Customer's Deposits and Advances
Mainly due to effect of deconsolidated subsidiaries and disposed subsidiary with account balance of P251 million as of December 31, 2002.

36% decline in Estimated Liability on Property Development
Primarily due to fulfillment of obligation to complete delivery of houses pertaining to booked sales. Acceleration in completion of units was also done to collect receivables financed thru banks to generate cash. Whereas the effect of deconsolidated subsidiaries and disposed subsidiary
amounted to P106 million as of December 31, 2002.

52% decline in Deferred Credits
Mostly coming from the reduction in deferred gross profit on booked sales in 2001 due to stretched collection of the downpayment balance and incomplete houses amounting to P768 million in 2001 vs P95 million in 2002.

Income Statement

15% increase in Real Estate Sales-net
basically due to higher realization of deferred gross profit on prior years sales at P733.8 million in 2002 vs P554.6 million in 2001.

27% decrease in Operating Expenses
As explained in aforementioned MDA, substantial cost savings was achieved due to the successful implementation of the streamlining of operations.

47% decrease in Interest Income
Primarily due to shift of buyer's preference to avail of deferred cash financing and effect of sale of Installment Receivables to generate cash.

139% decline in Miscellaneous Income
Mainly due to loss arising from exchange properties in settlement of loans by an affiliate settled in 2002 amounting to P322 million.

86% decline in Provisions for Probable Losses on Assets
Additional allowance for probable decline in value of Undeveloped Land of certain real estate property in Cavite of About P1.1 billion was provided to reflect its current market value in 2001.
No such provision in 2002.

2001

In 2001, the Company reported sales of P2.137 billion up by 7% from P1.996 billion in 2000 and operating profit of P598.5 million, down by 21% from P762.2 million in 2000. Decrease in profit was due to reduction in Realized Gross Profit on Real Estate Sales totaling P350 million arising from more flexible financing scheme in 2001-e.g. longer down payment term and decrease in Miscellaneous Income brought about by lesser transactions involving settlement of the loans through outright and unconditional sales of real estate properties.As explained in Note 11 of the attached Consolidated Financial Statements, gains or losses coming from sale transactions of undeveloped land and investments in real estate properties were recorded as part of

Miscellaneous income-net account in the revenues section of the consolidated statements of income. The Company's operations have been significantly affected by the general decline in the real estate industry. The low cost housing sector was faced with reduced sales volume on account of selective credit granting policies and the slower collection of receivables from government and other financing institutions. As a result of the foregoing conditions, the Company and its subsidiaries incurred significant losses in the last three years that resulted in a deficit of P8.53 billion as of December 31,2001. Furthermore, the negative cash flows hampered the ability of the Company and its subsidiaries to settle their maturing interest-bearing obligations and to service the interest requirements starting August 1999 and November 1999 of the outstanding Long-Term Commercial Papers (LTCPs) and Floating Rate Notes Payable (FRNs), respectively(see Note 11 of Audited Financial Statements).As of December 31, 2001 and 2000, the Company and its subsidiaries bank loans and notes payable (excluding accrued interest thereon) totaled P12.01 billion and P12.07 billion, respectively. The interest expense on such obligations amounted to about P1.23 billion, P1.38 billion and P1.92 billion for the years ended December 31, 2001, 2000 and 1999, respectively.

In response to the reduced sales volume in the low cost segment, the company adopts strategies to intensify its marketing efforts in the middle income segment through the opening of several middle income subdivisions carrying the Crown Asia brand and offering attractive financing terms to homebuyers.

In spite of the positive operating results, and the net cash provided by operating activities the Company still reported a net loss of P2.954 billion due to interest charges and foreign exchange losses of P1.474 billion and provision for probable losses on assets totaling to P2.044 billion. Of the P1.474 billion , 0.239 billion pertains to unrealized forex loss differential. The provision for probable losses represents valuation allowances to reflect realizable values of certain assets primarily coming from Undeveloped Land and Residential Units for Sale and Development.

To address the deterioration in the financial and operating conditions of the Company and its subsidiaries, management is implementing measures which are geared towards generating liquidity to meet customer commitments and at the same time strengthen the overall financial viability of the Company and its subsidiaries. The more significant components of these measures are debt restructuring, corporate restructuring, sale of certain assets, rationalization and streamlining of the operations of the Company and its subsidiaries administrative and support services and continuing settlement of obligations through outright and unconditional sale of real estate properties.

ITEM 7 FINANCIAL STATEMENTS

The consolidated financial statements are contained in Annex A of this report.

ITEM 8 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company does not have any disagreements with its Accountants on accounting and financial disclosure.

PART III CONTROL AND COMPENSATION INFORMATION

Item 9 Directors and Executive Officers

Directors and Executive Officers

A. Directors as of December 31,2003

NAME	AGE	TERM SERVED	OFFICE	CITIZENSHIP
Michael G. Regino	42	1 year	Chairman, CEO	Filipino
Atty. Gemma M.Santos	42	5 years	Corporate Secretary	Filipino
Rosario H. Javier	49	5 years	Director	Filipino
Edgardo G. Santos	43	3.5 years	Director	Filipino
Elizabeth M. Kalaw	40	1 year	Director	Filipino
Alma P. Villadolid	44	1 year	Independent Director	Filipino
Jocelyn Anne Calabig	41	9 mths	Independent Director	Filipino

* *Business Experience of the named directors and officers covers the past five (5) years.*

B. **DIRECTORS**

1) **MICHAEL G. REGINO** is the Chief Operating Officer of Household Development Corporation and subsidiaries and Palmera Homes, Inc. and subsidiaries. He has served the group for 14 years in various capacity in the field of Operations and Business Development. He graduated Cum Laude from the Ateneo de Zamboanga with a bachelor's degree in AB Economics and from Ateneo de Manila University with a master's degree in Business Administration. He previously worked as General Manager of MGS Group of Cos. involve in trading , manufacturing of housing components and construction.

2) **EDGARDO G. SANTOS** has served as Director since 2000. He is presently handling the direct marketing and one of the in-house marketing subsidiaries of the group. He used to be the Chief Operating Officer of Palmera Homes,Inc. and subsidiaries. He has been with the group for 12 years. He graduated from the University of the Philippines in Los Banos, Laguna with a degree in Agri-Business Management. He also attended Graduate School in Ateneo de Manila University. He previously worked as Administrative Manager with Rexim Philippines, Inc. for 6 years.

3) **ELIZABETH M. KALAW** is the Chief Finance Officer and Head of the Receivables Management Group . She has been with the group for more than 10 years. She graduated Magna cum laude from the University of the East with a degree in Bachelor of Science in Business Administration major in Accounting, and from De La Salle University with a Master's Degree in Business Administration. She is also a Certified Public Accountant. She worked with Sycip, Gorres,Velayo & Co. as an Auditor & Electrolux Group as a Finance Manager before she joined the group in 1992.

5) **Ms. ALMA P. VILLADOLID**, 43, graduated Cum Laude from the University of the Philippines-Diliman with a Bachelor's Degree in Business Administration and Accountancy and from the same university with a Masters Degree in MS in Finance. She also took up Strategic Economics in University of Asia and the Pacific. She has worked for the Company as Controller until 1998. She pursued higher studies after her stint with the Group until elected as Independent Director in 2003. She previously worked as an Accounting Instructor with the University of the Philippines for 18 months and as Senior Manager with Phil. American Investment Corporation for six years and as Project Manager for Computer Professionals for two years. Ms. Villadolid is also a Certified Public Accountant.

6**) ROSARIO H. JAVIER, 49**, graduated from University of the Philippines with a bachelor's degree in Political Science. She also took a masteral course at the Asian Institute of Management. She has been with the group for over 20 years.

8) **JOCELYN ANNE CALABIG**, 41, graduated from St. Paul's College- Manila with a Bachelor's Degree in Business Administration major in Accounting. She is a Certified Public Accountant. She worked with Sycip, Gorres, Velayo & Co. as an Auditor of the Banking & Financial Institutions Group & Computer Audit Group. She also worked with Security Bank for a year .Thereafter, she joined the C&P Group as Internal Audit Head and as General Manager of Golden Haven until 1997. She is currently working as technical consultants and public practitioner of small to medium- sized Cos.

9) **Atty. GEMMA M. SANTOS**, 42, graduated Dean's medalist (with fourth highest general weighted average) from the University of the Philippines with a degree in Bachelor of Laws in 1985. She also holds a degree in Bachelor of Arts, major in History in which she graduated cum laude (Awardee of Presidential Pin for Academic Excellence) in the same university. She was admitted to the Philippine Bar in 1986. Presently , she is a Senior Partner of the Picazo Buyco Tan Fider & Santos Law Office and handling the following positions; Director and Asst. Corporate Secretary of Metro Pacific Corporation, Corporate Secretary of : ATR Kim Eng Financial Corporation, C&P Homes, Inc., SPI Technologies and a number of non-listed companies. She is a member of the UP Womens Lawyers' Circle and Federacion International de Abogadas Filipinas. She previously work as a Junior Associate at the Ponce Enrile Picazo & Reyes Law Offices from December 1985 to August 1987 and also a lecturer in History at the University of the Philippines, Diliman Campus from 1982 to 1985.

EXECUTIVE OFFICERS

1. **ESTRELLITA S. TAN** is the Group Controller effective February, 2001. She has been with the group for more than 10 years. She graduated with distinction from the Philippine School of Business Administration with a degree in Bachelor of Science in Business Administration major in Accounting. She is also a Certified Public Accountant. She worked with Sycip, Gorres, Velayo & Co as an Auditor & F.J.Elizalde Group of Companies as an Accounting Manager before she joined the group in 1993.

2. **JERYLLE LUZ C. QUISMUNDO** is the Regional Operating Head. She has been with the group for 14 years. She graduated Cum Laude from the University of the Philippines with a degree of Business Economics, and from the same university with a master's degree in Business Administration. She was previously the Chief Finance Officer of the Company and was handling various operating units before she became the Regional Operating Head.

Significant Employees

The Company has high regards on its human resources. It expects each employee to do his part in achieving the Company's goals and objectives.

3. Family Relationships

There are no family relationships among the Directors and Executive officers.

4. Involvement in Certain Legal proceedings

None of the Directors and Executive Officers is involved in any material pending legal proceedings, bankruptcy petition, conviction by final judgement nor being subject to any order, judgement or being found by a domestic or foreign court of competent jurisdiction for the past five years requiring disclosure.

ITEM 10 EXECUTIVE COMPENSATION

SUMMARY OF COMPENSATION TABLE

		Salary, Bonuses and Other Compensation		
1 **NAME**	**POSITION**	*****2004**	**2003**	**2002**
MICHAEL G. REGINO	CEO,COO			
ELIZABETH M. KALAW	Director			
ROSARIO H. JAVIER	Director			
EDGARDO G. SANTOS	Director			
ALMA P. VILLADOLID	Independent Director			
JOCELYN ANNE CALABIG	Independent Director			
SALARIES		**10,320,000**	**9,274,877**	**9,856,000**
BONUSES/Other Compensation		**1,680,000**	**1,636,743**	**1,344,000**
ALL DIRECTORS		**12,000,000.00**	**10,911,620.00**	**11,200,000.00**
SALARIES		**13,125,000**	**12,109,610**	**12,100,000**
BONUSES/Other Compensation		**1,875,000**	**1,651,310**	**1,650,000**
ALL OFFICERS AND DIRECTORS		**15,000,000.00**	**13,760,920.00**	**13,750,000.00**

**Projected Annual Compensation

The total annual compensation paid to all above-named Officers and Directors was paid in cash. This annual compensation includes the basic salary and the mid-year and 13th month bonuses.

2 **COMPENSATION OF DIRECTORS**

There are no special contracts or arrangements with the directors that are not included in the table above. Each member of the Board of Directors who is neither an officer nor consultant of the Corporation shall be entitled to receive a reasonable per diem in an amount to be determined by the Board of Directors for his attendance in Board meetings.

3 **EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS**

The company does not have any employment contracts and termination of employment and change-in-control arrangements with any executive officer.

4 **WARRANTS AND OPTION OUTSTANDING**

There are no warrants and options available to any executive officers.

Item 11 Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain and Beneficial Owners

As of December 31, 2003 , C&P Homes knows of no one who beneficially owns more than 10% of the Company's common stock except as set forth in the table below:

Class	Name/Address of Owner	Record/ Beneficial	Citizenship	No. of Shares	% Ownership
Common	**Fine Properties,Inc.** Camella Center, National Rd., Las Pinas City	R	Filipino	2,878,929,304	60.03%
Common	**PCD Nominee Corp.**	R	Non-Filipino	826,489,529	17.23%
Common	**Brittany Corporation** Richville Mansion Madrigal Business Park Alabang	R	Filipino	461,977,800	9.63%

None of the incumbent directors and executive officers has any beneficial ownership of the Company through Fine Properties,Inc or PCD Nominee Corp. Fine Properties,Inc. and Brittany Corp. is 99.9% owned by Mr. and Mrs. Manuel B. Villar,Jr. We are not aware of the ownership of the PCD Nominee Corp.

2. Security Ownership of Management

Following are the stockholdings of directors and executive officers as of December 31, 2003

Class	Name of Owner	No. of Shares	Record/ Beneficial	Citizenship	%Ownership

Common	Michael G. Regino	169,500	R	Filipino	0.00%
Common	Elizabeth M. Kalaw	19,600	R	Filipino	0.00%
Common	Rosario H. Javier	15,000	R	Filipino	0.00%
Common	Edgardo G.Santos	13,800	R	Filipino	0.00%
Common	Alma P. Villadolid	154,500	R	Filipino	0.00%
Common	Jocelyn Anne Calabig	4,500	R	Filipino	0.00%
Common	Estrellita S. Tan	19,600	R	Filipino	0.00%
Common	Jerylle Luz Quismundo	38,650	R	Filipino	0.00%
Common	Atty. Gemma Santos	10,000	R	Filipino	0.00%
	Total	**445,150**			**0.00%**

3. Voting Trust Holders of 5% or More

There is no party holding any voting trust for 5% or more of C&P's total shares outstanding.

4. Changes in Control

As of December 31, 2003 , there was no arrangement which may result in a change in the control of C&P Homes.

Item 12 Certain Relationships and Related Transactions

The Company remains to be substantially controlled by Fine Properties,inc. as shown in the List of Top 20 Stockholders.

In 2002, certain undeveloped land owned by a subsidiary was transferred to a creditor bank by way of dacion en pago arrangement to settle the outstanding liabilities of the subsidiary to affiliates amounting to about P1.06 billion (see note 24 of audited fs). The transaction resulted in a loss of about P 319.18 M.

A subsidiary of the Parent Company acquired in 2002 LTCPs and FRNs with a total value of P906.98M and P157.66 M, respectively(see note 24 of audited fs).

In 2001, the C&P Group allowed the use of certain real estate properties by an affiliate to initially secure the affiliates' borrowings, which real estate properties will be exchanged for real estate properties owned by another affiliate.

Other transactions with related parties in the regular conduct of the business principally consisted of joint ventures undertaking the development of real estate properties, interest-bearing loans, and cash, operating and other advances

The consolidated balance sheets include receivables from related parties amounting to P534.63 million and P475.77 million, as of December 31, 2003 and 2002, respectively.

PART IV EXHIBITS AND SCHEDULES

ITEM 13 Exhibits and Reports on SEC Form 17-C

1. List of Subsidiaries

The Company has the following wholly owned subsidiaries:

Name of Subsidiaries	Country of Incorporation	% Ownership
Household Development Corporation	Philippines	99.99%
Palmera Homes, Inc.	Philippines	99.99%
Communities Philippines, Inc.	Philippines	99.99%
Communities Philippines Holdings, Inc.	Philippines	99.99%
C&P Homes, International Limited Inc.	Cayman Island	100%

2. REPORTS ON FORM 17-C

The following reports on SEC Form-17C were filed during the last six-month period covered by this report.

July 16, 2003	Resignation, Removal or Election of Registrants,Directors or Officers
December 30,2003	Record of attendance of Directors in Board Meetings
April 27, 2004	Special Meeting of Board of Directors of Corporation regarding Postponement of Stockholder's Meeting scheduled on April 29, 2004.

PART V - CORPORATE GOVERNANCE

Compliance with leading practice on Corporate Governance

The Company has adopted the Manual of Corporate Governance and full compliance with the same has been made since the adoption of the Manual, However, mechanism to monitor the performance of the Board of Directors is subject to review prior to implementation.

The Company is taking further measures to ensure adherence to practices and principles of good corporate governance.

Cash Flow Statement

2002 Audited FS	
Provision for Probable losses on assets:	
Per Statement of Income	284,282,359
Per Statement of Cash flows	105,074,508
Provision for Probable losses on assets pertaining to the deconsolidated subsidiaries	179,207,851

As discussed in Note 22 to the Consolidated Financial Statements, the reductions in the consolidated net assets in 2002 resulting from the deconsolidation of CAPI, CAPIN,CDI and CIL and disposal of investment in BEC are treated as non-cash transactions.

(filed with SEC, Jan. 21, 2004 under Minutes of Special Meeting)

Loss on disposal in investments in shares of stock

The loss on disposal of investment in shares of stock amounting to P45.7 million is included in the Miscellaneous Income caption in the Consolidated Statements of Income. The breakdown of the account is shown in Note 17 to the Consolidated Financial Statements.

Receivables - net of deferred gross profit on real estate sales

The increase in receivables - net of deferred gross profit on real estate sales shown in the Consolidated Statements of Cash Flows is computed by adjusting the increase in receivables for effects of noncash items such as (1) the provision for probable losses on receivables amounting to P77 million and (2) the reduction in the receivables due to the disposal of the Parent Company's investment in CPPI amounting to P28 million (see Note 24 to the Consolidated Financial Statements).

Real estate for sale and development

The increase in real estate for sale and development shown in the Consolidated Statements of Cash Flows is computed by adjusting the increase for the effects of noncash items such as (1) the provision for probable losses on real estate of P19 million (2) cost of real estate properties transfer to acquire the Group's LTCPs and FRNs (including interest) from a local bank amounting to P462 million.

Accounts Payable and Accrued Expenses

The decrease in Accounts payable and accrued expenses shown in the Consolidated Statements of Cash Flows is computed by adjusting the increase in accounts payable and accrued expenses for the effects of noncash items such as (1) unrealized foreign exchange gain of P77 million, (2) increase in accrued interest expense of P773 million, (3) reduction in the accounts payable due to the disposal of the Parent Company's investment in CPPI amounting to P28 million (see Note 24 to the Consolidated Financial Statements).

Customer Advances and Deposits and Estimated Liability for Property Development

The increase shown in the Consolidated Statements of Cash Flows represent the difference between the 2003 and 2002 balances.

Schedules A-I

A. Current Marketable Equity Securities

Not Applicable. The Company has no marketable securities as of December 31,2003.

B. Accounts Receivable from Directors, Officers,Employees,Related parties and Principal Stockholders

Not Applicable. The Company has no receivables from directors,officers,employees, related parties and principal other than the ordinary course of the business.

C. Non- Current Marketable Equity Securities, Other Long-Term Investments in Stocks, and Other Investments.

Not Applicable. The Company has no marketable securities as of December 31,2003.

D.Indebtedness of Unconsolidated Subsidiaries and Affiliates

Not Applicable. The Company has no indebtedness of unconsolidated subsidiaries and affiliates i.e. more than 5% of Total Assets as of beg. and end of period for the year 2003.

E. Intangible Assets

Not Applicable. The Company has no intangible assets as of December 31, 2003

F. Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Current portion long term debt	Long Term Debt 12.31.2003
Commercial Papers			
I-A	56,610,003.00	56,610,003.00	

I-B	750,000,000.00	750,000,000.00	
II-A	750,000,000.00	750,000,000.00	
II-B	750,000,000.00	750,000,000.00	
	2,306,610,003.00	2,306,610,003.00	-
Floating Rate Notes	7,777,505,288.00		7,777,505,288.00
	10,084,115,291.00	2,306,610,003.00	7,777,505,288.00

G. Indebtedness to Affiliates and Related Parties(Long term loans from Related Companies)

Name of Affiliate	Beg. Balance	Ending Balance
Adelfa Properties,Inc.	(66,803,452.00)	-

H.Guarantees of Securities of Other Issuers

Not Applicable. The Company does not have guarantee on securities issued by other issuers as of December 31,2003.

I. Capital Stocks

Title of Issue	No. of Shares authorized	No. of Shares issued & outstanding	No. of shares reserve for options,warrants,conversion & other rights.	No. of shares held by affiliates	Directors,Officers & employees	Others
Common Stock	5,000,000,000.00	4,796,071,929.00	-	3,560,424,154	445,150	1,235,202,625

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of C&P Homes, Inc. is responsible for all information and representations contained in the financial statements for the year ended December 31, 2003. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

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

____
MICHAEL G. REGINO
Chairman of the Board , CEO, President

____
ELIZABETH M. KALAW
Chief Financial Officer

Subscribed and sworn to before me this _________________day of ______________ 2004 affiants exhibiting to me Residence Certificates as follows:

MICHAEL G REGINO	18599302	3/4/03	LAS PINAS CITY
ELIZABETH M. KALAW			

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, in Quezon City on

August 27, 2004

C & P Homes,Inc.

Issuer

By:

MICHAEL G. REGINO

Chairman of the Board, CEO,President

ELIZABETH M. KALAW

Principal Financial Officer

ESTRELLITA S. TAN

Principal Accounting Officer/Comptroller

ROSARIO H. JAVIER

Asst. Corporate Secretary

Subscribed and sworn to before me this ______________ day of ________2004 affiants exhibiting to me Residence Certificates as follows:

MICHAEL G. REGINO	18599302	3/4/03	/LAS PINAS CITY
ESTRELLITA S. TAN	24080389	3/29/04	/LAS PINAS CITY
ELIZABETH M. KALAW			

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SGV & Co

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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-F

SGV & Co is a member practice of Ernst & Young Global

Report of Independent Auditors

The Stockholders and the Board of Directors
C & P Homes, Inc.
Camella Center, National Road
Talon, Las Piñas City

We have audited the accompanying consolidated balance sheets of C & P Homes, Inc. and Subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of C & P Homes, Inc. and Subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the Philippines.

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that the Company and its subsidiaries incurred significant losses that resulted in a deficit of 9.58 billion and 9.52 billion as of December 31, 2003 and 2002, respectively. Furthermore, the cash flows generated by the Company and its subsidiaries are not sufficient to settle their interest bearing obligations and service the interest requirements of the outstanding Long-Term Commercial Paper and Floating Rate Notes payable. As of December 31, 2003 and 2002, the

Company's and its subsidiaries' bank loans and notes payable (excluding accrued interest thereon) totalled 10.91 billion and 11.05 billion, respectively. These factors, among others, indicate the existence of a material uncertainty which may cast significant doubt about the Company's and certain subsidiaries' ability to continue as a going concern. Management plan with respect to these matters are also described in Note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments relating to the recoverability of the asset carrying amounts or the amount of liabilities that might result from the uncertainties.

J. D. CABALUNA
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-A
Tax Identification No. 102-082-365
PTR No. 7012968
January 5, 2004
Makati City

April 7, 2004

Report of Independent Auditors

The Stockholders and the Board of Directors
C & P Homes, Inc.

We have audited the accompanying consolidated balance sheets of C & P Homes, Inc. and Subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of C & P Homes, Inc. and Subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the Philippines.

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PTR No. 7012968
January 5, 2004
Makati City

April 7, 2004

SGV & Co

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Report of Independent Auditors

On Supplementary Schedules

C & P Homes, Inc.
Camella Center, National Road
Talon, Las Piñas City

We have audited in accordance with auditing standards generally accepted in the Philippines, the consolidated financial statements of C & P Homes, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated April 7, 2004. Our audits were 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 Company's management and are presented for purposes of complying with the Securities Regulation Code Rules 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.

J. D. CABALUNA
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-A
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January 5, 2004
Makati City

April 7, 2004

C & P HOMES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2003	2002 (As restated)
ASSETS		
Cash	**182,238,900**	119,281,728
Receivables - net (Note 4)	**2,287,509,938**	2,059,208,910
Real Estate for Sale and Development - net (Notes 5, 10 and 11)	**13,530,322,786**	13,907,903,193
Investments in Shares of Stock (Note 6)	**109,513,886**	82,717,645
Property and Equipment - net (Note 7)	**18,435,488**	24,907,452
Deposits for Real Estate Purchases - net of allowance for probable losses of 28,512,713 in 2003 (Note 8)	**931,102,110**	965,138,735
Other Assets - net (Note 9 and 20)	**294,044,505**	248,985,617
	17,353,167,613	17,408,143,280
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Bank Loans (Notes 2, 5, and 10)	**834,931,748**	877,902,393
Loans Payable (Note 11)	**127,294,405**	104,918,904
Accounts Payable and Accrued Expenses (Note 12)	**4,916,233,525**	5,020,712,024
Income Tax Payable	**786,361**	457,434
Customers' Advances and Deposits	**378,704,910**	355,303,178
Estimated Liability for Land and Property Development	**309,151,175**	125,560,540
Long-term Commercial Papers and Floating Rate Notes Payable (Notes 2 and 13)	**10,084,115,291**	10,176,696,295
	16,651,217,415	16,661,550,768
Deferred Credits (Note 14)	**646,463,280**	632,103,880
STOCKHOLDERS' EQUITY		
Capital Stock (Note 16)	**4,796,071,929**	4,796,071,929
Additional Paid-in Capital	**4,834,618,966**	4,834,618,966
Deficit (Note 2)	**(9,575,203,977)**	(9,516,202,263)
	55,486,918	114,488,632
	17,353,167,613	17,408,143,280

See accompanying Notes to Consolidated Financial Statements.

C & P HOMES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2003	2002 (As restated)	2001 (As restated)
REVENUE			
Real estate (Notes 10, 13 and 15)	**1,785,177,927**	2,233,561,030	2,028,926,950
Interest	**95,400,136**	138,661,753	260,597,606
Miscellaneous (Note 6, 10, 15 and 17)	**850,729,256**	496,681,234	288,898,019
	2,731,307,319	2,868,904,017	2,578,422,575
COST AND EXPENSES			
Real Estate (Notes 10 and 15)	**1,059,928,820**	1,298,382,407	1,253,216,719
Interest expense (Notes 10 and 13)	**871,074,331**	1,109,777,957	1,239,865,034
General and administrative (Note 18)	**352,290,674**	532,572,361	747,863,774
Foreign exchange losses (Note 13)	**348,484,164**	266,937,323	234,073,739
Provision for probable losses	**125,192,214**	284,282,359	2,044,075,333
Loss on sale of undeveloped land (Note 15)	–	319,184,001	–
	2,756,970,203	3,811,136,408	5,519,094,599
LOSS BEFORE INCOME TAX	**25,662,884**	942,232,391	2,940,672,024
INCOME TAX (Note 20)	**33,338,830**	29,501,433	14,991,643
NET LOSS	**59,001,714**	971,733,824	2,955,663,667
Loss Per Share (Note 22)	**0.01**	0.20	0.62

See accompanying Notes to Consolidated Financial Statements.

C & P HOMES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES

IN STOCKHOLDERS' EQUITY

	Years Ended December 31		
	2003	2002 (As restated)	2001 (As restated)
CAPITAL STOCK (Note 16)			
Common stock - 1.00 par value			
Authorized - 5,000,000,000 shares			
Issued - 4,796,071,929 shares	**4,796,071,929**	4,796,071,929	4,796,071,929
ADDITIONAL PAID-IN CAPITAL	**4,834,618,966**	4,834,618,966	4,834,618,966
DEFICIT (Note 2)			
Balance at beginning of year			
As previously stated	**9,499,356,720**	8,529,028,260	5,574,570,857
Effect of change in accounting for preoperating expenses (Note 3)	**16,845,543**	15,440,179	14,233,915
As restated	**9,516,202,263**	8,544,468,439	5,588,804,772
Net loss	**59,001,714**	971,733,824	2,955,663,667
Balance at end of year	**9,575,203,977**	9,516,202,263	8,544,468,439
	55,486,918	114,488,632	1,086,222,456

See accompanying Notes to Consolidated Financial Statements.

C & P HOMES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2003	2002 (As restated)	2001 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(25,662,884)**	(942,232,391)	(2,940,672,024)
Adjustments for:			
Unrealized foreign exchange losses	**348,484,164**	266,937,323	234,073,739
Provision for probable losses	**125,192,214**	105,074,508	2,044,075,333
Depreciation	**16,183,246**	22,623,991	35,801,855
Interest expense	**871,074,331**	1,109,777,957	1,239,865,034
Interest income	**(95,400,136)**	(138,661,753)	(260,597,606)
Dilution gain (Note 6)	–	(346,622,288)	–
Loss (gain) on disposal of investment in shares of stock (Notes 3 and 22)	**(45,665,174)**	26,235,060	–
Operating income before changes in operating assets and liabilities	**1,194,205,761**	103,132,407	352,546,331
Decrease (increase) in:			
Receivables - net of deferred gross profit on real estate sales	**(319,086,250)**	307,618,059	556,290,739
Real estate for sale and development	**(103,809,118)**	257,268,994	(874,132,584)
Advances to real estate joint ventures	–	(7,075,000)	–
Increase (decrease) in:			
Accounts payable and accrued expenses	**(861,298,578)**	(1,421,249,252)	(1,140,960,720)
Customers' advances and deposits	**23,401,732**	113,482,599	(153,410,632)
Estimated liability for property development	**183,590,635**	35,111,313	(205,552,826)
Cash provided by (used in) operating activities	**117,004,182**	(611,710,880)	(1,465,219,692)
Interest received	**95,400,136**	138,661,753	260,597,606
Income taxes paid	**(47,179,428)**	–	(32,191,770)
Interest paid	–	–	(5,147,440)
Net cash provided by (used in) operating activities	**165,224,890**	(473,049,127)	(1,241,961,296)

(Forward)

	Years Ended December 31		
	2003	2002 (As restated)	2001 (As restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other assets	**(25,977,264)**	(50,526,479)	(62,428,072)
Reductions in undeveloped land	–	105,718,949	918,148,756
Increase in deposits for real estate purchases	**5,523,912**	58,339,344	532,755,867
Acquisitions of property and equipment	**(15,487,184)**	(11,785,347)	(16,033,344)
Disposals of (additions to) investments in shares of stock	**(26,796,241)**	51,000	(6,633,998)
Cash of disposed subsidiary	**(19,087,283)**	–	–
Net cash provided by (used in) investing activities	**(81,824,060)**	101,797,467	1,365,809,209
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from (payments of):			
Bank loans	**(42,970,645)**	(184,478,843)	(258,361,568)
Loans payable	**22,526,987**	446,170,745	(111,532,082)
Advances from affiliates	–	10,257,052	(77,917,492)
Net cash provided by (used in) financing activities	**(20,443,658)**	271,948,954	(447,811,142)
NET INCREASE (DECREASE) IN CASH	**62,957,172**	(99,302,706)	(323,963,229)
CASH AT BEGINNING OF YEAR	**119,281,728**	218,584,434	542,547,663
CASH AT END OF YEAR	**182,238,900**	119,281,728	218,584,434

See accompanying Notes to Consolidated Financial Statements.

C & P HOMES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Corporate Information

C & P Homes, Inc. (the Parent Company) was incorporated in the Republic of the Philippines to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, pledge, exchange, develop, or otherwise dispose of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidence of indebtedness, and other securities or obligations of any corporation or corporations, association or 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 registered office of the Parent Company is Camella Center, National Road, Talon, Las Piñas City. The Parent Company and its subsidiaries, all of which are real estate companies, had 159 and 271 employees as of December 31, 2003 and 2002, respectively.

The Audit Committee and the Board of Directors authorized the issuance of the consolidated financial statements on April 7, 2004.

Status of Operations

The operations of the Parent Company and its subsidiaries (collectively referred herein as the C&P Group) have been significantly affected by the general decline in the real estate industry and selective credit granting policies of financial institutions.

As a result of the foregoing conditions, the C&P Group incurred significant losses that resulted in a deficit of 9.58 billion and 9.52 billion as of December 31, 2003 and 2002, respectively. Furthermore, the negative cash flows hampered the ability of the C&P Group to settle its maturing interest-bearing obligations and to service the interest requirements starting August 1999 and November 1999 of the outstanding Long-term Commercial Papers (LTCPs) and Floating Rate Notes Payable (FRNs), respectively (see Note 13). As of December 31, 2003 and 2002, the C&P Group's bank loans and notes payable (excluding accrued interest thereon) totalled 10.91 billion and 11.05 billion, respectively. The interest expense on such obligations amounted to about
0.77 billion, 1.11 billion and 1.24 billion for the years ended December 31, 2003, 2002 and 2001, respectively.

These factors, among others, indicate the existence of a material uncertainty which may cast significant doubt about the Parent Company's and certain subsidiaries' ability to continue as a going concern.

Management is implementing measures which are geared towards generating liquidity to meet customer commitments and at the same time strengthen the overall financial viability of the C&P Group. The more significant components of these measures follow:

(a) *Dacion* - certain properties will be transferred to the banks by way of *dacion en pago* arrangement in settlement of debt.

(b) *Sale of certain assets* - Certain assets have been identified by management for disposition to provide the C&P Group with additional liquidity.

(c) *Rationalization and streamlining of the operations of the C&P Group and consolidation of the subsidiaries' administrative and support services.*

The consolidated financial statements have been prepared assuming the C&P Group will continue operating as a going concern, and do not include any adjustments relating to the recoverability of asset carrying amounts or the amount of liabilities that might result from the uncertainties.

Summary of Significant Accounting Policies

Basis of Consolidated Financial Statement Preparation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines and under the historical cost convention.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its wholly owned subsidiaries, namely:

(a) Household Development Corporation (HDC) and its wholly owned subsidiaries: Casa Regalia, Incorporated (CRI), Harpers Ville, Inc., Ridgewood Estates, Inc., and San Marino Homes, Inc.

(b) Palmera Homes, Incorporated (PHI) and its wholly owned subsidiaries: Carissa Homes Development & Properties, Inc., Eastridge Estates, Inc. (EEI), Northwinds Prime Properties, Inc., and Towns and Villas, Inc. (TVI). As of December 31, 2003, TVI, which was incorporated on May 17, 1996, has not started commercial operations.

(c) Communities Philippines, Inc. and its wholly owned subsidiaries: Communities (Cagayan), Inc. and Communities (Cebu), Inc. Communities (Cebu), Inc., which was incorporated on August 30, 1995, has not started commercial operations as of December 31, 2003.

(d) Communities Philippines Holdings, Inc. (CPHI) and its wholly owned subsidiaries: Communities (Pangasinan), Inc., and Communities (Batangas), Inc. Communities (Pangasinan), Inc. started commercial operations in 2003.

(e) C & P Homes International Limited (C & P Cayman) which was incorporated on May 9, 1997 with limited liability and registered under the Companies Law of the Cayman Islands for an unlimited duration. C & P Cayman's foreign operations are an integral part of the operations of the Parent Company.

In 2003, the Parent Company sold its interest in C & P Properties International (CPPI) for 2.50 million which resulted in a gain from disposal of investment amounting to 45.67 million included in the 2003 consolidated statement of income (see Notes 17 and 24). Investment in shares of stock of Brittany Estates Corporation (BEC) was sold in 2002 at a loss of 26.24 million.

The 2003 consolidated statements of income and cash flows include the results of operations and cash flows of CPPI for the year ended December 31, 2003, while the 2002 consolidated statements of income and cash flows include the results of operations and cash flows of Crown Asia Properties, Inc. (CAPI), BEC, Crown Asian Properties (North), Inc. (CAPIN) and its wholly owned subsidiaries Masterpiece Properties, Inc., Communities (Davao), Inc., (CDI), and Communities (Iloilo), Inc. (CII) for the year ended December 31, 2002 (see Note 6).

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

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles 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 of the date of the consolidated financial statements. Actual results could differ from such estimates. Future events may occur which can cause the assumptions used in arriving at the estimates to change. The effects of any changes in estimates will be recognized in the financial statements as they become reasonably determinable.

Adoption of New Accounting Standards

The C&P Group adopted the following Statements of Financial Accounting Standards (SFAS)/International Accounting Standards (IAS) issued by the Philippine Accounting Standards Council (ASC) which became effective beginning January 1, 2003.

- SFAS 8A, *Deferred Foreign Exchange Differences*, eliminates the deferral of foreign exchange differences. Adoption of the standard has no effect on the consolidated financial statements.

- SFAS 10/IAS 10, *Events After the Balance Sheet Date*, prescribes the accounting and disclosures related to adjusting and non-adjusting subsequent events. Additional disclosures required by the new standard were included in the financial statements, principally the date of authorization for issuance of financial statements.

- SFAS 38/IAS 38, *Intangible Assets*, establishes the criteria for the recognition and measurement of intangible assets. It also requires that expenditures on research, start-up, training, advertising and relocation be expensed as incurred. Accordingly, the C&P Group changed its method of accounting for preoperating expenses and reversed the unamortized portion of preoperating expenses. Previously, such expenses were deferred and amortized. The change in accounting policy has been accounted for retroactively and the comparative statements for 2002 and 2001 have been restated. The change increased net loss for 2002 and 2001 by 1.41 million and 1.21 million, respectively. Retained earnings as of January 1, 2003, 2002 and 2001 have been reduced by 16.85 million, 15.44 million and 14.23 million, respectively.

- SFAS 37/IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, provides the criteria for the recognition and bases for measurement of provisions, contingent liabilities and contingent assets. It also specifies the disclosures that should be included with respect to these items. Adoption of the standard has no effect on the consolidated financial statements.

- SFAS 22/IAS 22, *Business Combinations*, requires that an acquisition where an acquirer can be identified should be accounted for by the purchase method. Any goodwill arising from the acquisition should be amortized generally over 20 years. Adoption of the standard has no effect on the consolidated financial statements.

Cash

Cash consists of cash on hand and in banks.

Receivables

Receivables are recognized and carried at the original contract price or invoice amount less any unrealized gain, as applicable, and allowance for uncollectible amounts. Specific valuation allowances are provided for contracts, installment contracts and accounts receivable when collection becomes doubtful and the amounts expected to be received in settlement of the contracts, installment contracts and accounts receivable are less than the amounts due.

Real Estate for Sale and Development

Real estate for sale and development consists of subdivision land and residential units for sale and development.

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

Residential units for sale and development are carried at the lower of cost or net realizable value. Costs include costs incurred for development, improvement and construction.

A valuation allowance is provided for subdivision land and residential units for sale and development when the net realizable values of the properties are less than their carrying amounts.

In 2003, as a result of the review of the cost of development of the Company's real estate projects, management concluded that there has been a significant change in the estimated development carrying amounts. This change has been accounted for as a change in estimate (see Note 17).

Investments in Shares of Stock

Investments in shares of stock in deconsolidated subsidiaries in which the C&P Group has remaining equity interest of five percent (5%) and has ceased to have significant influence are accounted for at cost. Other investments consisting of shares in utility companies are carried at cost.

An allowance is set up for any substantial and presumably permanent decline in the carrying values of such investments.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and any impairment in value. When the assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statements of income.

The initial cost of property and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Office furniture and fixtures	5
Transportation equipment	2 to 3
Construction equipment	5
Other fixed assets	5

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

Impairment of Assets

The carrying values of the property and equipment and other long-lived assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of these assets is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statements of income.

Revenue and Cost Recognition

Real estate sales are generally accounted for under the full accrual method of accounting. Under this method, gross profit is recognized when: (a) the collectibility of the sales price is reasonably assured; (b) the earnings process is virtually complete; and, (c) the seller does not have a substantial continuing involvement with the subject properties. The collectibility of the sales price is considered reasonably assured when: (a) the buyers have actually confirmed their acceptance of the related loan applications after the same have been delivered to and approved by either the Home Development Mutual Fund (HDMF), banks or other financing institutions for externally financed accounts; or (b) the full downpayment comprising a substantial portion of the contract price is received and the capacity to pay and credit worthiness of the buyer have been reasonably established for sales under the deferred cash payment arrangement.

When a sale does not meet the requirements for full accrual accounting, gross profit is deferred until those requirements are met. The deferred gross profit is presented as "Deferred gross profit on real estates sales" and is presented as a deduction against the related receivable. Cancellations during the year of prior years' real estate sales are deducted from current year's revenue and costs.

Real estate sales where the subsidiaries have material obligations under the sales contracts to provide improvements after the subject properties are sold are accounted for under the percentage-of-completion method. Under this method, the gain on sale is recognized as the related obligations are fulfilled. Revenue allocated to the unfulfilled obligations are deferred and presented as "Deferred real estate revenue on future developments" and included in the "Deferred Credits" account in the consolidated balance sheets.

If any of the criteria under the full accrual method or the percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, payments received from buyers are presented under the "Customers' Advances and Deposits" account in the consolidated balance sheets.

The capitalized costs of real estate for sale are charged to income when the related revenue are recognized. The costs of housing units sold before the completion of the contemplated construction are determined based on actual costs incurred plus estimated costs to complete the housing units. The estimated costs to complete the housing units are presented in the "Estimated Liability from Land and Property Development" account in the consolidated balance sheets.

Provisions and Contingencies

Provisions are recognized when the C&P 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. 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 assessment 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. Where the C&P Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Contingent liabilities are recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Borrowing Costs

Borrowing costs generally are expensed as incurred. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development cost (included in "Real Estate for Sale and Development" account in the balance sheets). Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Origination Costs

Origination costs, which represent amounts deducted by HDMF from the buyers' loan proceeds for registration, fire and mortgage redemption insurance, are charged to the "Customers' Advances and Deposits" account in the liabilities section of the consolidated balance sheets.

Retirement Costs

Retirement costs are determined using the attained age normal method. Past service costs and experience adjustments are amortized over the expected remaining working lives of the employees.

IAS 19, *Employee Benefits*, will become effective January 1, 2005. Under IAS 19, the only allowed valuation method is the projected unit credit method. The C&P Group will shift to projected unit credit method in 2005 and has not yet determined the financial impact of the shift to the projected unit credit method.

Foreign Currency Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at the balance sheet date. All foreign exchange gains and losses are recognized in the consolidated statements of income .

The financial statements of a consolidated foreign subsidiary (C&P Cayman) that is integral to the operations of the C&P Group are translated as if the transactions of the foreign operation had been those of the Parent Company. At each balance sheet date, foreign currency monetary items are translated using the closing rate and non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition. Income and expense items are translated at the exchange rates on the dates of the transactions. Resulting exchange differences are recognized in the consolidated statements of income.

Income Tax

Deferred income tax is provided using the liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial reporting bases of assets and liabilities and their related income tax bases, net operating loss carryover (NOLCO) and the carry forward benefit of the excess of the minimum corporate income tax (MCIT) over the regular corporate income tax. Deferred tax assets and liabilities are measured using the tax rate applicable to taxable income in the years in which those temporary differences are expected to be recovered or settled and NOLCO and MCIT are expected to be applied. A valuation allowance is provided for deferred tax assets which are not reasonably expected to be realized in the future. Any change in the valuation allowance on deferred tax assets is included in the computation of the provision for deferred tax for the year.

Loss Per Share

Loss per share is determined by dividing net loss by the weighted average number of common shares outstanding during the year.

New Accounting Standards Effective in 2004

ASC has approved the following accounting standards which will be effective in 2004:

- SFAS 17/IAS 17, *Leases*, prescribes the accounting policies and disclosures that apply to finance and operating leases. Finance leases are those that transfer substantially all risks and rewards of ownership to the lessee.

  A lessee is required to capitalized finance leases as assets and recognize the related liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The lessee should also depreciate the leased asset. On the other hand, lessees should expense operating lease payments.

  A lessor is required to record finance leases as receivables at an amount equal to the net investment in the lease. Lease income should be recognized on the basis of a constant periodic rate of return on the lessor's outstanding net investment. On the other hand, a lessor should present as an asset and depreciate accordingly assets that are subject to operating leases.

- SFAS 12/IAS 12, *Income Taxes*, prescribes the accounting treatment for income taxes. The standard requires the use of a balance sheet liability method in accounting for deferred income taxes. It requires the recognition of a deferred tax liability and, subject to certain conditions, asset for all temporary differences with certain exceptions. The standard provides for the recognition of a deferred tax asset when it is probable that taxable income will be available against which the deferred tax asset can be used. It also provides for the recognition of a deferred tax liability with respect to asset revaluations.

The C&P Group will adopt the above standards in 2004 and, based on current estimates, does not believe the effect of the adoption of the new standards will be material.

Receivables

	2003	2002
Contracts receivable from banks and financial institutions	**270,314,045**	353,964,236
Installment contracts receivable		
Short-term	**355,710,933**	831,748,734
Long-term	**1,943,086,569**	1,479,393,042
Receivables from:		
Related parties (Note 15)	**534,626,187**	475,768,316
Contractors, suppliers, brokers and others	**390,567,247**	764,145,918
	3,494,304,981	3,905,020,246
Less: Allowance for probable losses	**708,294,007**	1,392,352,089
Deferred gross profit on real estate sales	**498,501,036**	453,459,247
	2,287,509,938	2,059,208,910

Installment Contracts Receivable

Short-term installment contracts receivable consist of accounts collectible in equal monthly principal installments usually within 12 to 18 months, with the entire repayment period not exceeding 24 months. The corresponding titles to the subdivision units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. To further improve much needed operating cash flows without significantly affecting profitability, the C&P Group shifted its focus from government-financed to internally financed sales transactions which entailed shorter repayment periods. A substantial portion of the real estate sales was internally financed under the short-term deferred cash payment arrangement.

Long-term installment contracts receivable principally consist of amounts arising from sale of real estate subdivision units which are collectible within 2 to 15 years with interest at prevailing market rates. 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 following presents the breakdown of installment and contracts receivable and receivables from contractors, suppliers, brokers and others by maturity dates as of December 31, 2003 and 2002:

	2003		
	Due Within One Year	Due Over One Year	Total
Installments and contracts receivable	974,266,739	1,594,844,808	2,569,111,547
Receivables from contractors, suppliers, brokers and others	17,742,949	372,824,298	390,567,247
	992,009,688	1,967,669,106	2,959,678,794

	2002		
	Due Within One Year	Due Over One Year	Total
Installments and contracts receivable	946,161,594	1,718,944,418	2,665,106,012
Receivables from contractors, suppliers, brokers and others	27,283,568	736,862,350	764,145,918
	973,445,162	2,455,806,768	3,429,251,930

Real Estate for Sale and Development

	2003	2002
Land available for sale (Notes 10, 11 and 13)	**2,767,517,844**	2,955,475,703
Less reserve for land development costs	**1,138,083,356**	1,098,187,897
	1,629,434,488	1,857,287,806
Undeveloped land (Notes 10, 11, 13 and 15)	**12,962,159,155**	13,046,201,049
Less allowance for probable decline in value	**1,425,054,908**	1,405,545,316
	11,537,104,247	11,640,655,733
Total subdivision land for sale and development	**13,166,538,735**	13,497,943,539
Residential units for sale and development	**363,784,051**	409,959,654
	13,530,322,786	13,907,903,193

Land available for sale represents the subsidiaries' real estate subdivision projects in which the Housing and Land Use Regulatory Board of the Philippines have granted the subsidiaries license to sell.

In 2003, real estate for sale and development with a carrying amount of 955.63 million were pledged as collateral to secure the C&P Group's bank loans.

Investments in Shares of Stock

This account consists of investments in shares of stock of:

	2003	2002
Deconsolidated subsidiaries in which the Parent Company has remaining equity interest	**27,908,833**	27,908,833
Other companies	**81,605,053**	54,808,812
	109,513,886	82,717,645

In 2002, HDC, PHI and CPHI waived their pre-emptive rights in favor of a new investor to subscribe to the increase in capital stock of CAPI, CAPIN, CDI and CII. The waiver resulted in a reduction in equity interest in these companies to 5%. The net dilution gain resulting from the above transactions amounted to 346.62 million and is included in "Miscellaneous income" account in the 2002 consolidated statement of income (see Note 17). The remaining equity interests in these companies are subsequently accounted for at cost, which represent the proportionate carrying amount of the net assets of the subsidiaries prior to deconsolidation as follows:

Acquisition costs	46,250,000
Accumulated equity in net losses:	
Balance at December 31, 2001	(175,693,490)
Equity in net losses for the year	(189,269,965)
Gain on dilution	346,622,288
Balance at December 31, 2002	(18,341,167)
	27,908,833

Also, in 2002, HDC sold its investment in BEC for 5.98 million which resulted in a loss from disposal of investment amounting to about 26.23 million which is included in the 2002 consolidated statement of income.

Property and Equipment

	Office Furniture and Fixtures	Transportation Equipment	Construction Equipment	Other Fixed Assets	2003 Total	2002 Total
Cost:						
At January 1	**102,787,382**	**72,748,377**	**51,444,761**	**67,245,639**	**294,226,159**	349,627,742
Additions	**8,753,715**	**1,863,339**	**1,513,373**	**3,356,757**	**15,487,184**	8,434,057
Retirements/disposals	–	–	–	**(7,665,174)**	**(7,665,174)**	(63,835,640)
At December 31	**111,541,097**	**74,611,716**	**52,958,134**	**62,937,222**	**302,048,169**	294,226,159
Accumulated depreciation:						
At January 1	**98,209,571**	**64,482,612**	**50,263,849**	**56,362,675**	**269,318,707**	305,839,925
Depreciation	**5,360,168**	**4,673,835**	**1,795,309**	**4,353,934**	**16,183,246**	16,553,375
Retirements/disposals	–	–	–	**(1,889,272)**	**(1,889,272)**	(53,074,593)
At December 31	**103,569,739**	**69,156,447**	**52,059,158**	**58,827,337**	**283,612,681**	269,318,707
Net book value as of December 31	**7,971,358**	**5,455,269**	**898,976**	**4,109,885**	**18,435,488**	24,907,452

Deposits for Real Estate Purchases

Deposits for real estate purchases substantially represent the subsidiaries' 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 subsidiaries of the full contract prices of the real estate properties, the subsidiaries already have physical possession of the original transfer certificates of title (TCTs) of the said properties. As of December 31, 2003, the unpaid commitments of the subsidiaries for the acquisition of the foregoing real estate properties amounted to about 132.02 million.

Other Assets

	2003	2002 (As restated)
Prepaid taxes and other expenses	**197,480,364**	171,539,672
Construction materials inventory - at net realizable value	**28,358,161**	29,564,209
Miscellaneous deposits	**28,349,620**	24,854,545
Advances to real estate joint venture	**19,187,940**	19,689,164
Others	**20,668,420**	3,338,027
	294,044,505	248,985,617

Advances to real estate joint venture represent the amounts incurred by the subsidiaries 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 subsidiaries. The terms of the agreements provide that the subsidiaries 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 owners. The agreements further stipulate that the subsidiaries and the property owners will share either on the developed real estate properties or on the gross profit from sales based on a certain sharing ratio.

Bank Loans

	2003	2002
Short-term notes payable	**118,100,468**	368,182,509
Long-term loans	**716,831,280**	509,719,884
	834,931,748	877,902,393

The short-term notes payable bear interest at prevailing market rates. Short-term notes payable are secured by mortgages on a portion of the subsidiaries' real estate properties amounting to
344.31 million and 455.15 million in 2003 and 2002, respectively.

The long-term loans bear interest at prevailing market rates, repriceable and payable on equal semi-annual installments over a period of 7 to 10 years.

Average interest rates for both short-term and long-term loans in 2003, 2002 and 2001 are 10.5%, 13.0% and 13.0 %, respectively.

In view of management's intent to reduce C&P Group's debts to creditor banks to a comfortable level, portions of the bank loans were settled through outright and unconditional sales to such creditor banks of real estate properties of the subsidiaries (see Note 15). These transactions were treated as regular real estate sales. Gains amounting to 74.34 million and 228.67 in 2002 and 2001, respectively, arising from sale transactions involving undeveloped land and investments in real estate properties were recognized in the consolidated statements of income.

Loans Payable

This account represents real estate noninterest bearing loans payable to various real estate property sellers. Under the terms of the agreements executed by the subsidiaries covering the purchase of certain real estate properties, the TCTs of the subject properties shall be transferred to the subsidiaries only upon full payment of the real estate loans.

12. Accounts Payable and Accrued Expenses

	2003	2002
Accrued expenses (Note 13)	**3,471,523,367**	3,508,471,131
Accounts payable	**1,029,542,542**	1,026,535,212
Deferred output tax	**261,822,178**	272,247,532
Retentions payable	**62,106,785**	68,331,384
Commissions payable	**30,213,264**	68,465,107
Other payables	**61,025,389**	76,661,658
	4,916,233,525	5,020,712,024

13. Long-term Commercial Papers and Floating Rate Notes Payable

	2003	2002
Long-term commercial papers (LTCPs)	**2,306,610,003**	2,329,305,761
Floating Rate Notes (FRNs)	**7,777,505,288**	7,847,390,534
	10,084,115,291	10,176,696,295

LTCPs

On October 18, 1996, the Securities and Exchange Commission (SEC) approved the Company's issuance of LTCPs amounting to 3,000,000,000 divided into two (2) tranches. Details follow:

Tranche	Series	December 31, 2003	December 31, 2002	Issue Date	Maturity Date
I	A	750,000,000	750,000,000	November 06, 1996	November 06, 2001
	B	750,000,000	750,000,000	November 06, 1996	November 06, 2003
II	A	750,000,000	750,000,000	November 13, 1996	November 13, 2001
	B	750,000,000	750,000,000	November 13, 1996	November 13, 2003
		3,000,000,000	3,000,000,000		
Less payments		693,389,997	670,694,239		
		2,306,610,003	2,329,305,761		

Series A LTCPs bear interest at one percent (1%) above the 91-day treasury bill rate while interest on Series B LTCPs is one and one-eighth percent (1.125%) 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 interest rate of 10% per annum.

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 Company'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.

In 2002, a subsidiary of the Parent Company acquired LTCPs with a total value of 907.00 million (see Note 15).

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

FRNs

On July 14, 1997, C & P Cayman entered into a Trust Deed and Agency Agreement (Trust Deed) for the issuance of US$150,000,000 FRNs which are due in 2003. The Parent Company has unconditionally and irrevocably guaranteed the payment (Guarantee) of all sums expressed to be payable by C & P Cayman under the Trust Deed and the FRNs.

The FRNs bear interest from July 14, 1997 and such interest is payable on each interest payment date which falls six (6) months after the preceding interest payment date, in the case of the first interest payment date, after July 14, 1997. The rate of interest for such interest period shall be based on the London Interbank Offered Rates as determined by the agent bank plus two and one-eighth percent (2.125%).

All payments of principal and interest in respect of the FRNs or under the Guarantee shall be made free and clear of, and without withholding or deductions for any taxes of whatever nature imposed within the Cayman Islands or the Republic of the Philippines.

The Trust Deed provides for certain covenants with respect to, among others, the mortgage, charge, pledge, lien or other forms of encumbrances as security interest upon the whole or any part of C & P Cayman or the Parent Company's undertaking, assets or revenues present or future to secure any relevant debt. The Parent Company, as guarantor, also undertakes that it will use its best endeavors to ensure that it will not incur any debt which will rank ahead of the Guarantee by virtue of being evidenced by a public instrument as provided by the Article 2244 (14) of Civil Code of the Republic of the Philippines.

The Parent Company also undertakes that so long as the FRNs are outstanding: (a) its Tangible Net Worth will not at anytime be less than 11 billion; (b) there will be no material change in the nature of its business or of the business of itself and its subsidiaries taken as a whole; (c) the ratio of Real Estate for Sale and Development to Tangible Net Worth will not at any time be more than 1.2:1, each as set out on the then latest published audited consolidated balance sheet of the C&P Group prepared in accordance with Philippine generally accepted accounting principles; and, (d) it shall control and directly or indirectly own in aggregate 100% of the issued share capital from time to time of any subsidiary.

In 2003, PHI, CHDPI, HDC, CRI, NWPI and HVI acquired from a local bank FRNs with principal value of US$7.6 million in exchange for the real estate properties (see Note 24). This transaction was treated as regular real estate sales.

In 2002, a subsidiary of the Parent Company acquired FRNs with a total value of 157.7 million (see Note 15).

As explained in Note 2, the significant losses incurred by the C&P Group hampered their ability to service the interest requirements starting August 1999 and November 1999 of the outstanding LTCPs and FRNs, respectively. Interest expense on these obligations amounted to about
0.77 billion, 1.11 billion and 1.23 billion for the years ended December 31, 2003, 2002 and 2001, respectively. As of December 31, 2003, the unpaid interest expense of the LTCPs and FRNs totalled 3.31 billion.

As of December 31, 2003, the C&P Group's Tangible Net Worth of 0.01 billion fell below the
11 billion limit as required under the Trust Deed.

In 2002, certain consolidated subsidiaries sold a portion of their real estate properties to certain holders of the Parent Company's LTCPs and FRNs, in exchange for which, such holders assigned to the consolidated subsidiaries all the rights, title and beneficial interest to the extent of the face value of the LTCPs and FRNs. On a consolidated basis, this resulted in a reduction in the principal balances of the LTCPs and FRNs by about 53.61 million. Likewise, total reduction in the corresponding interest on the LTCPs and FRNs amounted to about 0.32 million as of December 31, 2002.

Management is presently negotiating with the remaining holders of the LTCPs and FRNs for additional *dacion en pago* arrangements, restructuring of the debt by extending the terms of payment or conversion to equity.

Deferred Credits

	2003	2002 (As restated)
Deferred real estate revenue on future development	**485,569,269**	537,134,147
Deferred gross profit on real estate sales	**160,894,011**	94,969,733
	646,463,280	632,103,880

Related Party Transactions

In 2002, certain undeveloped land owned by a subsidiary was transferred to a creditor bank by way of *dacion en pago* arrangement to settle the outstanding liabilities of the subsidiary to affiliates amounting to about 1.06 billion (see Note 24). The transaction resulted in a loss of about 319.18 million.

A subsidiary of the Parent Company acquired in 2002 LTCPs and FRNs with a total value of
906.98 million and 157.66 million, respectively (see Note 24).

In 2001, the C&P Group allowed the use of certain real estate properties by an affiliate to initially secure the affiliates' borrowings, which real estate properties will be exchanged for real estate properties owned by another affiliate.

Other transactions with related parties in the regular conduct of business principally consisted of joint ventures undertaking the development of real estate properties, interest-bearing loans, and cash, operating and other advances.

The consolidated balance sheets include receivables from related parties amounting to
534.63 million and 475.77 million, as of December 31, 2003 and 2002, respectively.

16. Capital Stock

On December 29, 2000, the Stockholders approved the increase in the Parent Company's authorized capital stock from 5 billion (divided into 5 billion shares at 1.00 par value per share) to 15 billion (divided into 10 billion preferred shares at 1.00 par value per share and 5 billion worth of common shares, the par value of which is to be finally fixed by the Board but in no case to exceed 5 per share). The increase in the Parent Company's authorized capital stock will include a reverse stock split of the existing authorized common shares of the Parent Company (both issued and unissued), i.e., a reduction in the number of said shares and corresponding increase in the par value thereof. The resulting number of authorized common shares and outstanding common shares shall be finally determined by the Board of Directors, but shall in no case be less than 1,000,000,000 and 959,214,385 shares, respectively, based on an increased par value of not more than 5 per share. As of April 7, 2004, such increase in the authorized capital stock is still subject to the approval by the SEC.

17. Miscellaneous Income

	2003	2002	2001
Processing and other fees	**114,116,840**	69,759,114	237,199,843
Gain on disposals (Notes 3 and 6)	**45,665,174**	346,622,288	–
Others	**690,947,242**	80,299,832	51,698,176
	850,729,256	496,681,234	288,898,019

In 2003, as a result of the review of the cost of development of the Group's real estate projects, management concluded that there has been a significant change in the estimated development cost. The change has been accounted for prospectively and resulted in the decrease in liabilities pertaining to development cost. The change in cost pertaining to prior year's sales amounting to
629.76 million was credited to "Miscellaneous income" account in the 2003 consolidated statement of income.

18. General and Administrative

	2003	2002 (As restated)	2001 (As restated)
Repairs and maintenance	**79,023,023**	61,438,230	92,741,664
Salaries, wages and employees' benefits (Note 19)	**46,038,271**	69,837,036	82,911,155
Professional fees	**37,862,888**	41,361,425	91,091,697
Advertising and promotions	**26,919,892**	151,020,778	224,949,618
Depreciation	**16,183,246**	22,623,991	35,801,855
Entertainment, amusement and representation	**12,708,081**	10,602,878	15,947,158
Occupancy cost	**12,209,771**	26,051,413	39,945,122
Taxes and licenses	**10,130,174**	16,146,510	22,416,629
Office expenses	**8,634,217**	11,953,004	20,399,973
Transportation and travel	**5,771,952**	5,595,068	10,646,576
Others	**96,809,159**	115,942,028	111,012,327
	352,290,674	532,572,361	747,863,774

19. Retirement Plan

The C&P Group provides for the estimated retirement benefits required to be paid under Republic Act (RA) No. 7641 to qualifying employees. Retirement expense for the years ended December 31, 2003, 2002 and 2001 amounted to about 2.25 million, 2.25 million and 2.00 million, respectively. The retirement benefits applicable to years prior to the effectivity of RA No. 7641 are amortized over the average working lives of the employees.

20. Income Taxes

Provision for income tax consists of:

	2003	2002 (As restated)	2001 (As restated)
Current	47,508,355	**29,501,433**	**31,617,840**
Deferred	**(14,169,525)**	–	(16,626,197)
	33,338,830	29,501,433	14,991,643

The reconciliation of the provision for (benefit from) income tax computed at the statutory income tax rate to the provision for income tax shown in the consolidated statements of income for the years ended December 31, 2003, 2002 and 2001 follows:

	2003	2002 (As restated)	2001 (As restated)
Benefit from income tax computed at the statutory income tax rates	**(8,212,123)**	(301,514,365)	(941,015,048)
Additions to (reductions in) income taxes resulting from:			
Nondeductible expenses	**69,071,352**	33,365,464	1,185
Gain from disposal of investments in shares of stock subject to final tax	**(14,612,856)**	–	–
Interest already subjected to final tax and dividend income	**(830,466)**	(1,577,301)	(5,098,390)
Nondeductible interest expense	**73,926**	409,712	1,283,704
Nontaxable income derived from the sale of subdivision units classified under the socialized housing project	–	–	(539,628)
Nontaxable dilution gain	–	(110,919,132)	–
Nondeductible loss from disposal of investments	–	8,395,219	–
	45,489,833	(371,840,403)	(945,368,177)
Valuation allowance - net	**(12,151,003)**	401,341,836	960,359,820
Provision for income tax	**33,338,830**	29,501,433	14,991,643

The components of the C&P Group's net deferred tax assets (liabilities) follow:

	2003	2002 (As restated)
Deferred tax assets on:		
NOLCO	**752,278,448**	1,854,423,459
Allowance for probable losses on:		
Receivables	**210,379,170**	412,168,203
Undeveloped land and deposits for real state purchase	**465,141,639**	449,774,501
Unrealized foreign exchange loss	**434,371,271**	316,608,133
Carryforward benefit of MCIT	**50,344,977**	56,630,764
Excess of book over tax basis of deferred gross profit on real estate sales	**8,183,820**	8,227,461
Allowance for losses on materials inventory and other assets	**882,509**	4,415,575
Accrual of retirement costs	**2,184,708**	2,040,708
Preoperating expenses	**12,593,952**	5,390,574
	1,936,360,494	3,109,679,378
Less valuation allowance	**864,556,531**	1,812,112,989
	1,071,803,963	1,297,566,389

(Forward)

	2003	2002 (As restated)
Deferred tax liabilities on:		
Capitalized interest on subdivision land for sale and development	**(478,037,641)**	(647,487,067)
Excess of tax over book basis of deferred gross profit on real estate sales and others	**(593,766,322)**	(650,079,322)
	(1,071,803,963)	(1,297,566,389)
Net deferred income tax assets	–	–

As of December 31, 2003, the details of the unexpired excess of the MCIT over the normal tax and the NOLCO, which are available for offset against future income tax payable and taxable income, respectively, over a period of three years, follow:

	MCIT	NOLCO	Expiry Date
2003	29,893,393	262,200,829	December 31, 2006
2002	16,955,995	361,999,082	December 31, 2005
2001	3,495,589	1,726,670,239	December 31, 2004
	50,344,977	2,350,870,150	

MCIT and NOLCO used in 2003 amounted to 14.17 million and 49.81 million, respectively. MCIT and NOLCO that expired in 2003 amounted to 22.02 million and 1.17 billion, respectively.

21. Commitments and Contingencies

(a) The C&P Group has entered into various lease agreements ranging from 1 to 5 years. Future minimum lease payments follows:

2004	3,710,577
2005	2,244,894
	5,955,471

(b) The Parent Company's subsidiaries are contingently liable for guarantees arising in the ordinary course of business, including surety bonds, letters of guarantee for performance and bonds for all its real estate project.

(c) The C&P Group is contingently liable with respect to certain lawsuits and other claims which are being contested by the subsidiaries and their legal counsels. Management and their legal counsels believe that the final resolution of these claims will not have a material effect on the consolidated financial statements.

22. Loss Per Share

The following table presents information necessary to compute loss per share:

	2003	2002 (As restated)	2001 (As restated)
Net loss	**59,001,714**	971,733,824	2,955,663,024
Weighted average number of common shares	**4,796,071,929**	4,796,071,929	4,796,071,929
Loss per share	**0.01**	0.20	0.62

23. Segment Information

SFAS 31, Segment Reporting, requires that a public business enterprise report financial and descriptive information about its reportable segments. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. The C & P Group has one reportable segment which is the residential segment. Residential segment refers to the development of residential subdivisions and projects. The C & P Group also has one geographical segment and derives all its revenues from domestic operations. The financial information about the sole business segment is presented in the financial statements.

24. Notes to Cash Flow Statements

Noncash financing and investing activities:

	2003	2002	2001
Settlement of LTCPs and FRNs and accrued interest through the sale of real estate properties (see Note 13)	**468,775,119**	4,765,015	87,565,771
Settlement of LTCPs and FRNs held by an affiliate including accrued interest thereon through offsetting of receivables from the affiliate (see Note 15)	–	1,064,641,621	–
Settlement of payables to related parties through sale of real estate properties (see Note 15)	–	1,065,693,912	–
Receivable from an affiliate arising from sale of real estate properties for settlement of affiliate's loan	–	680,859,610	–
Settlement of bank loans and accrued interest through the sale of real estate properties of an affiliate	–	672,945,214	–
Settlement of bank loans and accrued interest through the sale of real estate properties (see Note 10)	–	274,089,103	228,685,255

The disposal of the Parent Company's investment in CPPI resulted in the reduction in the total consolidated assets and liabilities as of December 31, 2003 by 50.42 million and 93.16 Million, respectively (Note 6).

Details of the reduction in consolidated net assets in 2002 resulting from the deconsolidation of CAPI, CPIN, CDI and CII and the disposal of HDC of its investment in BEC, follow (see Note 6):

	Deconsolidated Subsidiaries	**Disposed Subsidiary**	**Total**
Assets			
Receivables	961,389,378	101,731,494	1,063,120,872
Real estate for sale and development	841,265,499	430,823,662	1,272,089,161
Investments in shares of stock	504,069	–	504,069
Property and equipment	5,909,924	2,131,797	8,041,721
Deposits on real estate purchases	389,589,531	116,863,090	506,452,621
Other assets	162,424,701	60,737,350	223,162,051
Total Assets	2,361,083,102	712,287,393	3,073,370,495
Liabilities			
Bank loans	5,752,503	–	5,752,503
Accounts payable and accrued expenses	787,967,229	392,104,470	1,180,071,699
Customers' advances and deposits	243,535,117	7,834,631	251,369,748
Estimated housing construction costs	103,852,180	2,567,826	106,420,006
Payables to affiliated companies	1,538,689,528	277,569,406	1,816,258,934
Total Liabilities	2,679,796,557	680,076,333	3,359,872,890
Net Assets (Liabilities)	**(318,713,455)**	**32,211,060**	**(286,502,395)**
The (gain from dilution) loss from disposal of investment consist of:			
Net assets (liabilities) transferred	(318,713,455)	32,211,060	(286,502,395)
Equity investments in CAPIN, CAPI, CDI and CII	(27,908,833)	–	(27,908,833)
Receivable from affiliates	–	(5,976,000)	(5,976,000)
	(346,622,288)	**26,235,060**	**(320,387,228)**

25. Reclassification of Accounts

Certain accounts in the 2002 consolidated financial statements have been reclassified to conform with the 2003 presentation.