

SEC Number AS094004462

File Number _____

GLOBAL-ESTATE RESORTS, INC.

(Company's Full Name)

6/F Renaissance Towers, Meralco Avenue, Pasig City

(Company's Address)

(632) 576-3376

(Tel. No.)

December 31, 2015

(Calendar Year Ending)

SEC FORM 17-Q (1st QUARTER)

(Form Type)

March 31, 2015

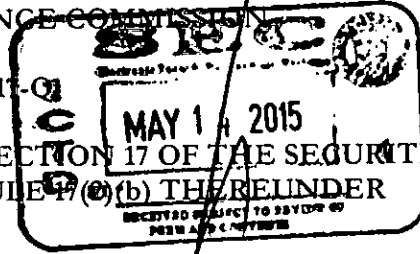
(Period ended date)

REGISTERED AND LISTED

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q1



QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(b) THE REINDER

- 1. For the quarterly period ended: **March 31, 2015**
- 2. Commission identification number.....: **AS094004462**
- 3. BIR Tax Identification No.....: **043-000-426-523-V**
- 4. Exact name of issuer as specified in its charter
GLOBAL-ESTATE RESORTS, INC

- 5. Province, country or other jurisdiction of incorporation or organization
Pasig City, Philippines

- 6. Industry Classification Code: (SEC Use Only)

- 7. Address of issuer's principal office Postal Code
Renaissance Tower, Meralco Avenue, Pasig City **1600**

- 8. Issuer's telephone number, including area code
Tel. No. (632) 576-3376

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

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

Title of each class	Number of shares of common stock outstanding and amount of debt outstanding
Common stock	10,986,000,000
Loans payable	₱ 200,000,000
Bonds payable	₱ -

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

Yes No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange (PSE) **Common stock**

- 12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to attached Annex A-1 for the Consolidated Statements of Financial Position as of March 31, 2015 and December 31, 2014; Annex A-2 for the Consolidated Statements of Comprehensive Income for the period ended March 31, 2015 and March 31, 2014; Annex A-3 for Consolidated Statements of Changes in Stockholders' Equity for the three-month period ended March 31, 2015 and March 31, 2014; Annex A-4 for the Consolidated Statements of Cash Flows for the three-month period ended March 31, 2015 and March 31, 2014 and Annex A-5 for the Aging of Receivables for the 1st Quarter ended March 31, 2015.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Refer to attached Analysis of Operations.

PART II--OTHER INFORMATION

Not Applicable.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Principal Financial/Accounting Officer/
Controller/Authorized Representative: Ms. Lailani V. Villanueva *LV*
.....
Title : Chief Financial Officer
.....
Signature : *Lailani V. Villanueva*
.....
Date : 05-14-15
.....

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
MANAGEMENT DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE 1st QUARTER ENDED March 31, 2015

REVIEW OF RESULTS OF OPERATIONS

Consolidated revenues for the three-month period ended March 31, 2015 amounted to Php885 million with an increase of 38.3% compared to Php639.9 million in March 31, 2014. The Company's real estate sale of Php554.3 million came mainly from sale of lots in Newcoast Shophouse District, Newcoast Boutique Hotel and Newcoast Village in Malay, Aklan, Sta. Barbara Heights in Ilo-Ilo City, Twin Lakes Domaine Le Jardin in Laurel, Batangas, Pahara at Manila Southwoods, and Alabang West in Daang Hari, Las Piñas, and sale of condominium units in Newcoast Oceanway Residences and Savoy Hotel in Boracay. Income from rentals amounted to Php11.3 million. Realized gross profit on prior years' real estate sales amounted to Php127.8 million as of March 31, 2015 with an increase of 133.4% compared to Php54.8 million as of March 31, 2014. Hotel revenues as of March 31, 2015 amounted to Php92 million, an increase of 7.5% from Php85.7 million as of March 31, 2014 due to increase in occupancy rate. Balance of revenues was contributed by finance and other income of Php51.6 million and Php47.9 million service income.

Cost and expenses posted an increase of Php209.1 million or 38.9% from Php537.3 million in March 31, 2014 to Php746.4 million as of March 31, 2015 mainly due to operating expenses and deferred gross profit on real estate sales.

The company posted a Php138.6 million Net Income or 35% increase for the three-month period ended March 31, 2015, as compared to a Php102.6 million net income realized as of March 31, 2014, mainly due to increase in real estate sales and realized gross profit on prior year sales.

Major Movements of Income Statement Accounts are as follows:

- 35% Increase in Real estate sales - mainly due to aggressive marketing.
- 7% Increase in Hotel revenues - due to increase in hotel occupancy rate.
- 133% Increase in Realized gross profit on prior years' real estate sales – due to increase in % of completion of on-going projects
- 128% Increase in Service income - due to increase in income from golf course maintenance
- 7% Decrease in Finance and other income – mainly due to decrease in other income
- 9% Increase in Cost of real estate sales - due to increase in real estate sales recognized for the period.
- 97% Increase in Cost of services – due to increase in service income
- 11% Increase in Cost of hotel operations – mainly due to increase in hotel revenue.
- 67% Increase in Deferred gross profit on real estate sales – mainly due to increase in real estate sales from projects that are still being developed
- 70% Increase in Operating expenses – mainly due to increase in marketing and other administrative expenses.

- 20% Increase in Income tax expense – due to increase in taxable income

REVIEW OF FINANCIAL CONDITION

The Group's financial position remained stable. Total assets as of March 31, 2015, Php34.4 billion compared to Php33.6 billion as of December 31, 2014, posted an increase of Php0.8 billion.

Cash and cash equivalents decreased by 8% mainly due to payment of construction costs and operating expenses, from Php3 billion in December 2014 to Php2.8 billion in March 2015. Trade and other receivables increased by 15% due to the increase in installment sales booked for the period and advances to contractors, from Php4.2 billion in December 2014 to Php4.8 billion in March 2015. Prepayments and other assets increased by 6% from Php1.1 billion in December 2014 to Php1.2 billion in March 2015 mainly due to payment of prepaid taxes. Investment properties increased by 87%, from Php289 million in December 2014 to Php540 million in March 2015, due to reclassification of account.

Trade and other payables increased by 8%, from Php2.5 billion in December 2014 to Php2.7 billion as of March 2015, mainly due to increase in payables to contractors and suppliers. Customer's deposit increased from Php1.3 billion in December 2014 to Php1.6 billion in March 2015 or 28% due to additional reservation sales for the period. Advances from related parties increased by 9% due to additional advances. Deferred Income on real estate sales increased by 5% due to deferred gross profit from sales recognized for the period. Deferred Tax Liability also increased from Php239.5 million in December 2014 to Php271.8 million in March 2015. The 13% increase is due to increase in taxable temporary difference. Other non-current liabilities decreased by 28% from Php143.3 million in December 2014 to Php102.9 million in March 2015 due to payment of other liabilities.

Shareholders' Equity increased by Php0.14 billion from Php24.5 billion in December 2014 to Php24.6 billion in March 2015 mainly due to the income generated for the period.

Major movements of Balance Sheet Accounts are as follows:

- 8% Decrease in Cash and cash equivalent – mainly due to payment of trade payables and operating expenses
- 15% Increase in Trade and other receivables – due to increase in installment sales booked during the period.
- 6% Increase in Prepayments and other assets – mainly due to payment of prepaid taxes.
- 87% Increase in Investment properties – due to reclassification of account.
- 8% Increase in Trade payables – mainly due to increase in payables to contractors and suppliers
- 28% Increase in Customer's deposit – due to additional reservation sales for the period.
- 9% Increase in Advances from related parties – due to additional advances.

- 5% Increase in Deferred income – due to deferred gross profit from real estate sales recognized for the period.
- 13% Increase in Deferred tax liability – due to increase in taxable temporary difference.
- 28% Decrease in Other non-current liability – due to payment of other liabilities.

KEY PERFORMANCE INDICATORS

LIQUIDITY RATIOS

	March 31, 2015	December 31, 2014
Current Ratio	3.78	3.95
Quick Ratio	0.96	0.98

Current Ratio (Current Assets/Current Liabilities)

Liquidity ratio measures a company's ability to pay short-term obligations.

Quick Ratio (Cash and cash equivalents + Current Trade receivables/Current Liabilities)

It measures a company's ability to meet its short-term obligations with its most liquid assets.

LEVERAGE OR LONG-RANGE SOLVENCY RATIOS

	March 31, 2015	December 31, 2014
Debt to Total Assets	28%	27%
Equity to Total Assets	72%	73%
Debt to Equity	39%	37%
Asset To Equity	1.39	1.37

Debt to Total Assets

It shows the creditors' contribution to the total resources of the organization.

Equity to Total Assets

It shows the extent of owners' contribution to the total resources of the organization.

Debt to Equity

It relates the exposure of the creditors to that of the owners.

Asset To Equity (Total Assets/Total Owner's Equity)

It measures the company's leverage.

PROFITABILITY RATIOS

	March 31, 2015	March 31, 2014
Return on Equity	0.56%	0.44%
Return on Assets	0.35%	0.28%
Earnings per Share	₱ 0.0108	₱ 0.0081

Return on Equity (Net Income/Equity Attributable to Parent Company's shareholders)
It tests the productivity of the owners' investments.

Return on Assets (Net Income/Total Assets)
This ratio indicates how profitable a company is relative to its total assets.

Earnings per Share (EPS)
It indicates the earnings for each of the common shares held.

ACTIVITY RATIO

	March 31, 2015	March 31, 2014
Asset Turnover	1.61%	1.32%

Asset Turnover (Sales/Total Assets)
It measures the level of capital investment relative to sales volume.

INTEREST COVERAGE RATIO

	March 31, 2015	March 31, 2014
Interest Coverage	18.45	13.90

Interest Coverage Ratio (Earnings before Interest and Income Tax/Interest Expense)
It measures how easily a company can pay interest on an outstanding debt.

OTHERS

As of the 1st quarter ended March 31, 2015, there are no:

- Known trend, demands, commitments, events or uncertainties that would have a material impact on the liquidity of the Company.
- Material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the net sales/revenues/income from continuing operations.
- Significant elements of income or loss that did not arise from the Company's continuing operations.
- Causes for any material changes from period to period in one or more line items of the Company's financial operations.
- Seasonal aspects that had a material effect on the financial condition or results of the operations.
- Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities of other persons created during the reporting period.

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

FOR THE 1st QUARTER ENDED March 31, 2015

1. GENERAL INFORMATION

1.1 Corporate Information

Global-Estate Resorts, Inc. (the Company or GERI) was incorporated in the Philippines on May 18, 1994, primarily to engage in the horizontal development of residential subdivision lots, integrated residential, golf and other leisure-related properties, and vertical development of mixed-use towers. The Company also engages in land acquisitions and maintains an inventory of raw land for future development.

The Company's shares of stock are listed at the Philippine Stock Exchange (PSE).

The registered office of the Company, which is also its principal place of business, is located at the 7th Floor, Renaissance Towers, Meralco Avenue, Pasig City.

In 2013, Megaworld Corporation (Megaworld or the parent company), also a publicly listed company in the PSE, acquired 24.70% effective ownership in GERI (see Note 22.1). Due to Megaworld's various acquisitions in 2014, including the purchase of all shares held by the Company's previous parent company, Alliance Global Group, Inc. (AGI or the ultimate parent company), Megaworld's effective ownership in GERI increased to 80.41%, making it the new parent company of GERI in 2014.

Megaworld was incorporated in the Philippines on August 24, 1989, primarily to engage in the development of large scale, mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The Company is presently engaged in property-related activities such as product design, construction and property management. Megaworld's real estate portfolio includes residential condominium units, subdivision lots and townhouses, as well as office projects and retail spaces. The registered office of Megaworld, which is also its principal place of business, is located at the 28th Floor, The World Center Building, Sen. Gil Puyat Avenue, Makati City.

AGI, which is also a publicly listed company in the PSE, is a holding company with diversified investments in real estate, food and beverage, manufacturing, quick service restaurants and tourism-oriented businesses. AGI's registered office, which is also its primary place of business, is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Quezon City.

The Company holds interests in the following subsidiaries and associates (collectively, together with the Company, hereinafter referred to as the Group):

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership		
		2014	2013	2012
Subsidiaries:				
Fil-Estate Properties, Inc. (FEPI)		100%	100%	100%
Aklan Holdings Inc. (AHI)	(i)	100%	100%	100%
Blu Sky Airways, Inc. (BSAI)	(a)	100%	100%	100%
Fil-Estate Subic Development Corp. (FESDC)	(a)	100%	100%	100%

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership		
		2014	2013	2012
Subsidiaries:				
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(a)	100%	100%	100%
Golden Sun Airways, Inc. (GSAI)	(a)	100%	100%	100%
La Compañía De Sta. Barbara, Inc. (LCSBI)	(a)	100%	100%	100%
MCX Corporation (MCX)	(a)	100%	100%	100%
Pioneer I-5 Realty Corp. (PIRC)	(a)	100%	100%	100%
Prime Airways, Inc. (PAI)	(a)	100%	100%	100%
Sto. Domingo Place Development Corp. (SDPDC)	(a)	100%	100%	100%
Fil-Power Concrete Blocks Corp. (FPCBC)	(a)	100%	100%	100%
Fil-Estate Industrial Park, Inc. (FEIPI)	(a)	79%	79%	79%
Sherwood Hills Development Inc. (SHDI)	(a)	55%	55%	55%
Boracay Newcoast Hotel Group, Inc. (BNHGI)	(a, g)	-	100%	100%
Fil-Estate Golf and Development, Inc. (FEGDI)		100%	100%	100%
Golforce, Inc. (Golforce)	(b)	100%	100%	100%
Southwoods Ecocentrum Corp. (SWEC) (formerly Fil-Estate Ecocentrum Corp.)	(b)	56%	56%	56%
Philippine Aquatic Leisure Corp. (PALC)	(c)	56%	56%	56%
Fil-Estate Urban Development Corp. (FEUDC)		100%	100%	100%
Novo Sierra Holdings Corp. (NSHC)		100%	100%	100%
Megaworld Global-Estate, Inc. (MGEI)	(d)	60%	60%	60%
Twin Lakes Corp. (TLC)	(e)	51%	51%	51%
Oceanfront Properties, Inc. (OPI)	(f)	50%	50%	50%
Global Homes and Communities, Inc. (GHCI)	(h)	100%	-	-
Southwoods Mall, Inc. (SMI)	(h)	100%	-	-
Associates:				
BNHGI	(g)	60%	-	-
Fil-Estate Network, Inc. (FENI)		20%	20%	20%
Fil-Estate Sales, Inc. (FESI)		20%	20%	20%
Fil-Estate Realty and Sales Associates Inc. (FERSAI)		20%	20%	20%
Fil-Estate Realty Corp. (FERC)		20%	20%	20%
Nasugbu Properties, Inc. (NPI)		14%	14%	14%

Non-controlling interests (NCI) in 2014 and 2013 represent the interests not held by the Group in FEIPI, SHDI, SWEC, PALC, MGEI, TLC, and OPI.

Explanatory notes:

- (a) Subsidiaries of FEIPI; percentage ownership represents effective ownership of GERI.
- (b) Subsidiaries of FEGDI; percentage ownership represents effective ownership of GERI.
- (c) Subsidiary of SWEC.
- (d) Subsidiary acquired in 2011 primarily to market the Group's projects.
- (e) Subsidiary acquired in 2011; engaged in the real estate business.
- (f) Subsidiary acquired in 2012; engaged in the real estate business.
- (g) In 2014, FEIPI disposed 40% of its ownership interest over its wholly owned subsidiary, BNHGI. As at December 31, 2014, due to the disposal of shares, FEIPI lost its control over BNHGI; hence, BNHGI was reclassified as an associate. Further, after the sale, only 2 out of 5 members of BNHGI's Board of Directors are related to the Group.
- (h) Subsidiary acquired in 2014; engaged in the real estate business.

All subsidiaries and associates were incorporated in the Philippines, operate within the country and are engaged in businesses related to the main business of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy (BOA).

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expense in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to third consolidated statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's presentation and functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency, the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) *Effective in 2014 that are Relevant to the Group*

In 2014, the Group adopted for the first time the following amendments and interpretation to PFRS that are relevant to the Group and effective for financial statements for the annual period beginning on or after January 1, 2014:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
PAS 36 (Amendment)	:	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
PFRS 10, 12 and PAS 27 (Amendments)	:	Consolidated Financial Statements, Disclosures of Interests in Other Entities and Separate Financial Statements
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21	:	Levies

Discussed below and in the succeeding pages are the relevant information about these amended standards and interpretation.

- (i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*. The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of set-off that is not contingent on a future event, and must be legally enforceable in the normal course of business; in the event of default; and, in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process, will satisfy the criterion for net settlement. The amendment has been applied retrospectively in accordance with its transitional provisions. As the Group does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of PAS 32, the amendment had no material effect on the Group's consolidated financial statements for any periods presented.
- (ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets*. The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been

recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less cost of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement*, such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the financial statements. This amendment did not result in additional disclosures in the consolidated financial statements since the Group does not have any impaired non-financial assets.

- (iii) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*. The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Group neither enters into transactions involving derivative instruments nor does it apply hedge accounting, the amendment did not have any impact on the Group's consolidated financial statements.
- (iv) PFRS 10, 12 and PAS 27 (Amendments), *Consolidated Financial Statements, Disclosures of Interests in Other Entities and Separate Financial Statements – Exemption from Consolidation for Investment Entities*. The amendments define the term "investment entity" and provide to such an investment entity an exemption from the consolidation of particular subsidiaries and instead require to measure investment in each eligible subsidiary at fair value through profit or loss in accordance with PAS 39 or PFRS 9, *Financial Instruments*, both in its consolidated or separate financial statements, as the case maybe. The amendments also require additional disclosures about the details of the entity's unconsolidated subsidiaries and the nature of its relationship and certain transactions with those subsidiaries.

The Group has evaluated the various facts and circumstances related to its interests in other entities and it has determined that the adoption of the foregoing amendments had no material impact on the amounts recognized in the consolidated financial statements.

- (v) Philippine Interpretation IFRIC 21, *Levies*. This interpretation clarifies that the obligating event as one of the criteria under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, for the recognition of a liability for levy imposed by a government is the activity described in the relevant legislation that triggers the payment of the levy. Accordingly, the liability is recognized in the consolidated financial statements progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This amendment had no significant impact on the Group's consolidated financial statements.

(b) *Effective Subsequent to 2014 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2014 which are adopted by the FRSC,

subject to the approval of the BOA. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from July 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit.
- (ii) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.
- (iii) PAS 16 (Amendment), *Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.
- (iv) PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. This amendment permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.
- (v) PFRS 11 (Amendment), *Joint Agreements – Accounting for Acquisitions of Interests in Joint Operations* (effective from January 1, 2016). This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3, *Business Combinations*, to apply all accounting principles and disclosure requirements on business combinations under PFRS 3

and other PFRS, except for those principles that conflict with the guidance in PFRS 11.

- (vi) PFRS 10 (Amendment), *Consolidated Financial Statements* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective from January 1, 2016). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.
- (vii) PFRS 10 (Amendment), *Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception* (effective from January 1, 2016). This amendment confirms that the exemption from preparing consolidated financial statements continues to be available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures its interest in all its subsidiaries at fair value in accordance with PFRS 10. The amendment further clarifies that if an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are to provide services that are related to the investment activities of the investment entity parent, the latter shall consolidate that subsidiary.
- (viii) PFRS 12 (Amendment), *Disclosure of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception* (effective from January 1, 2016). The amendment clarifies that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by PFRS 12.
- (ix) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
 - an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
 - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk

management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Group does not expect to implement and adopt PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

- (x) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014, and Annual Improvements to PFRS (2012-2014 Cycle) effective for annual periods beginning on or after January 1, 2016, made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but management does not expect those to have material impact on the Group's consolidated financial statements.

Annual Improvements to PFRS (2010-2012 Cycle)

- (a) PAS 16 (Amendment), *Property, Plant and Equipment*. The amendments clarify that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.
- (b) PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is

deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

- (c) PFRS 2 (Amendment), *Share-based Payment*. The amendment clarifies the definitions of “vesting condition” and “market condition” and defines a “performance condition” and a “service condition.”
- (d) PFRS 3 (Amendment), *Business Combinations*. This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.
- (e) PFRS 8 (Amendment), *Operating Segments*. This amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity’s assets if that amount is regularly provided to the chief operating decision maker.
- (f) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment in the basis of conclusion of PFRS 13 clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvement to PFRS (2011-2013 Cycle)

- (a) PFRS 3 (Amendment), *Business Combinations*. It clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11 in the financial statements of the joint arrangement itself.
- (b) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.
- (c) PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3 and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the

acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40, or a business combination in accordance with PFRS 3.

Annual Improvements to PFRS (2012-2014 Cycle)

- (a) PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.
 - (b) PAS 34 (Amendment), *Interim Financial Reporting*. The amendment clarifies the meaning of disclosure of information “elsewhere in the interim financial report” and requires the inclusion of a cross-reference from the interim financial statements to the location of this referenced information. The amendment also specifies that this information must be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time, otherwise the interim financial statements will be incomplete.
 - (c) PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to “service” financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.
- (xi) Philippine Interpretation – IFRIC 15, *Agreements for Construction of Real Estate*. This Philippine interpretation is based on IFRIC interpretation issued by the IASB in July 2008 effective for annual periods beginning on or after January 1, 2009. The adoption of this interpretation in the Philippines, however, was deferred by the FRSC and Philippine Securities and Exchange Commission after giving due considerations on various application issues and in anticipation of the implications of IFRS 15, *Revenue from Contract with Customers*, which will eventually supersede this interpretation when adopted in the Philippines. This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage of completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at completion upon or after delivery.
- (xii) IFRS 15, *Revenue from Contract with Customers*. This standard will replace PAS 18 and PAS 11, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes – Fair Value of Award Credits*, IFRIC 15, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2017.

This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard has not yet been adopted in the Philippines; however, management is currently assessing the impact of this standard on the Group's consolidated financial statements in preparation for the adoption of this standard in the Philippines.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Company, and its subsidiaries as enumerated below, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

The Company accounts for its investments in subsidiaries, associates, interests in joint operations and transactions with NCI as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control.

The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any NCI in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any NCI in the acquiree either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference (negative goodwill) is recognized directly as gain in profit or loss.

(b) Investments in Associates

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity Share in Net Losses of Associates account in the consolidated statement of comprehensive income.

Impairment loss is provided when there is an objective evidence that the investment in an associate will not be recovered.

Changes resulting from other comprehensive income of the associates or items that have been directly recognized in the associate's equity, for example, resulting from the associate's accounting for available-for-sale (AFS) financial assets, are recognized in consolidated other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments in behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeded the accumulated share of losses that has previously not been recognized.

Distributions received from the associates, if any, are accounted for as a reduction of the carrying value of the investment.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Interests in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint control arises from a contractually agreed sharing of control in an arrangement, which exist only when decisions about the relevant activities require unanimous consent of the parties sharing control. For interests in joint operations, the Group recognized in its consolidated financial statements its assets including its share of any assets held jointly; its liabilities including its share of any liabilities incurred jointly; its revenue from sale of its share of the output arising from the joint operation; its expenses including its share of any expenses incurred jointly; and its share in the income from the sale of goods or services by the joint operation. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group and are measured and recognized in accordance with the relevant financial reporting standards.

No adjustment and consolidation procedures are required for the assets, liabilities, income and expenses of the joint operation that are recognized in the separate financial statements of the joint operators.

(d) Transactions with NCI

The Group's transactions with NCI that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to NCI result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

The financial asset categories currently relevant to the Group are as follows:

(a) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented in the consolidated statements of financial position as Cash and Cash Equivalents, Trade and Other Receivables (except Advances to contractors and suppliers and Advances to raw landowners) and Advances to Related Parties. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

(b) *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are classified as non-current assets in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Group's AFS financial assets include proprietary golf club membership shares and are presented as part of the Other Non-current Assets account in the consolidated statement of financial position.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences in monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, if any, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Costs and Other Charges or Finance and Other Income account in the consolidated statement of comprehensive income.

For investments that are actively traded in organized financial markets, if any, fair value is determined by reference to exchange-quoted market bid prices at the close of business on the end of the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the

risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Real Estate Transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to the Land for Future Development account. These costs are reclassified to Property Development Costs account when the development of the property starts. Related property development costs are then accumulated in this account. Borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group as part of Property Development Costs or Real Estate, Golf and Resort Shares for Sale account (see Note 2.20). Once a revenue transaction occurred, on a per project basis, up to the stage the unit is sold, the related property development costs are reclassified to Real Estate, Golf and Resort Shares for Sale account.

The cost of real estate property sold before completion of the development, if any, is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property. The estimated expenditures for the development of sold real estate property, as determined by the project engineers, are charged to the Cost of Real Estate Sales presented in the consolidated statement of comprehensive income with a corresponding credit to Reserve for Property Development account, a liability account.

Costs of properties and projects classified under Land for Future Development, Property Development Costs and Real Estate, Golf and Resort Shares for Sale are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

Revenue and cost relative to forfeited or back-out sales are reversed in the current year as they occur.

2.6 Prepayments and Other Assets

Prepayments and other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.7 Property and Equipment

Property and equipment, except land, are carried at acquisition or construction cost less subsequent depreciation, amortization and impairment losses, if any. As no finite useful life for land can be determined, the related carrying amount are not depreciated. Land is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expenses as incurred.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Building and office improvements	5-10 years
Transportation and other equipment	5 years
Office furniture, fixtures and equipment	3-5 years

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

An item of property and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Investment Property

Investment property consists of parcels of land and buildings held for lease. Buildings are carried at cost less accumulated depreciation and any impairment losses. Land is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Land development and improvements	20 years
Building and improvements	10-50 years

The residual values, estimated useful lives and method of depreciation of investment property are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Transfers to, or from, investment property shall be made when and only when there is a change in use or purpose for such property.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

2.9 Financial Liabilities

Financial liabilities, which include Interest-bearing Loans, Trade and Other Payables (except tax-related liabilities), Advances from Related Parties, Due to Joint Venture Partners, Redeemable Preferred Shares and Accrued dividends on preferred shares (included as part of Other Non-current Liabilities account), are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges, if any, incurred on financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

Interest-bearing loans are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and Other Payables, Advances from Related Parties, Due to Joint Venture Partners and Accrued dividends on preferred shares are initially recognized at their fair values and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

Preferred shares, which carry a mandatory coupon or are redeemable on specific date or at the option of the shareholder, are classified as financial liabilities and presented as a separate line item in the consolidated statement of financial position as Redeemable Preferred Shares.

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD. The dividends on the redeemable preferred shares are recognized in the consolidated statement of comprehensive income as interest expense on an amortized cost basis using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of

the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.10 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting [see Note 2.3(a)].

Goodwill, if any, represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill, if any, is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Negative goodwill, which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost, is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

2.11 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's BOD; its chief operating decision-maker. The BOD is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- post-employment benefit expenses;
- expenses relating to share-based payments;
- research costs relating to new business activities; and,
- revenue, costs and fair value gains from investment property.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.12 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.13 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.14 Revenue and Expense Recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for real properties sold and services rendered, excluding value-added tax (VAT).

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

- (a) *Real estate sales* – For financial reporting purposes, revenues from transactions covering sales of real estate are recognized under the percentage-of-completion method. Under this method, realization of gross profit is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed. The unrealized gross profit on a period's sales is presented as Deferred Gross Profit on Real Estate Sales in the consolidated statement of comprehensive income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred Income on Real Estate Sales in the consolidated statement of financial position.

The sale is recognized when a certain percentage of the total contract price has already been collected. If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyer are initially recorded as part of Customers' Deposits account in the consolidated statement of financial position.

Revenues on sales of undeveloped land and golf and resort shares for sale, on the other hand, are recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership in the undeveloped land and golf and resort shares have passed to the buyer and the amount of revenue can be measured reliably. Revenues and costs relative to forfeited or back out sales are reversed in the current year as they occur.

Any adjustments relative to previous periods' sales are recorded in the current period as they occur.

For tax reporting purposes, a modified basis of computing the taxable income for the period based on collections from sales is used by the Group.

- (b) *Service income* – Revenue is recognized when the performance of mutually agreed tasks has been rendered.
- (c) *Rental income and hotel operations* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. Rental income is recognized on a straight-line basis over the lease term (see Note 2.15). Advance rentals received are recorded as deferred rental income and are taxable on the period received. For tax purposes, rental income is recognized based on the contractual terms of the lease.
- (d) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.
- (e) *Dividends* – Revenue is recorded when the Group's right to receive the payment is established.

Cost of real estate sales before completion of the projects include the acquisition cost of the land, development costs incurred to date, applicable borrowing costs and estimated costs to complete the project, determined based on estimates made by the project engineers on the stage of completion of the real estate project.

Cost and expenses and other costs (other than costs of real estate sold) are recognized in profit or loss upon utilization of the services or goods or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset.

2.15 Operating Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.16 Foreign Currency Transactions and Translation

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income as part of income or loss from operations.

2.17 Impairment of Non-financial Assets

The Group's Investments in Associates, Investment Property, Property and Equipment and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.18 Employee Benefits

The Group's employee benefits are recognized and measured as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at

the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Re-measurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest), if any, are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs and Other Charges or Finance and Other Income account in the consolidated statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(c) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in the Trade and Other Payables account of the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.19 Share-based Employee Remuneration

The Company grants share options to key executive officers eligible under a stock option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The

share-based remuneration is recognized as an expense in profit or loss with a corresponding credit to retained earnings.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital (APIC).

2.20 Borrowing Costs

For financial reporting purposes, borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the Property Development Costs or Real Estate, Golf and Resort Shares for Sale account (see Note 2.5). The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete. For income tax purposes, all interest and other borrowing costs are treated as deductible expenses in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets, if any, is deducted from the borrowing costs eligible for capitalization.

2.21 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.22 Equity

Capital stock represents the nominal value of shares that have been issued.

APIC represents premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Revaluation reserves arise from the changes in fair value of the Group's AFS financial assets and re-measurements on retirement benefit obligation, net of applicable taxes.

Retained earnings includes all current and prior period results of operations as reported in the profit or loss section of the consolidated statements of comprehensive income and share-based employee remuneration, reduced by the amounts of dividends declared, if any.

2.23 Basic and Diluted Earnings Per Share

Basic earnings per share (EPS) is computed by dividing consolidated net profit by the weighted average number of common shares issued and outstanding during the period, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of common shares outstanding to assume conversion of potentially dilutive shares. Currently, the Group's potentially dilutive shares consist only of share options.

2.24 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. These are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.25 Events After the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Distinction among Investment Property, Owner-occupied Properties and Land for Future Development

The Group determines whether an asset qualifies as an item of investment property, owner-occupied property or land for future development. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the operations of the Group or for administrative purposes while land for future development are properties intended solely for future development.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(b) Determining Significant Influence over Entities in which the Group holds less than 20% ownership

The Group determines whether significant influence exists over an investee company over which the Group holds less than 20% of the investee's capital stock. The Company considers the ability to influence the operating and financial policies of the investee, representation on the board of directors of the investee and routine participation in management decisions in making its judgment. Based on management's judgment, the Group has significant influence over these investee companies.

(c) Consolidation of an Entity in which the Company Holds 50% Ownership or Less

Management considers that the Company has de facto control over OPI even though it does not hold more than 50% of the ordinary shares and voting rights of OPI due to the factors discussed below.

The Company holds 50% equity interest over OPI and has: (1) the ability to direct the relevant activities of OPI; (2) the rights to variable returns from its involvement with OPI; and, (3) the ability to use its power to affect its returns from its involvement with OPI. Based on management's judgment, the Company has control over OPI; hence, the entity was consolidated in the financial statements of the Group.

(d) Deconsolidation of a Subsidiary in which the Company Sold Less than 50% Ownership

Management considers that the Company, through FEPI, has lost control over BNHGI in 2014 even though FEPI still holds 60% equity interest over BNHGI after disposal of 40% of its ownership interest in 2014. The Company has lost the ability to direct the relevant activities of BNHGI; further, only 2 out of 5 members of the BOD of BNHGI are related to the Group.

Based on management's judgment, the Company deconsolidated BNHGI and considered it as an associate in the 2014 consolidated financial statements.

(e) Distinction between Operating and Finance Leases

Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(f) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and contingencies are discussed in Note 2.12.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Business Combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

(b) Impairment of Trade and Other Receivables and Advances to Related Parties

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, the counterparties' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Based on the evaluation of management, there are no impairment losses required to be recognized on the Group's advances to related parties.

(c) Determining Net Realizable Value of Real Estate, Golf and Resort Shares For Sale, Property Development Costs and Land For Future Development

In determining the net realizable value of real estate and resort shares for sale, property development costs and land for future development, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of these assets is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation and uncertainty and may cause significant adjustments to the Group's real estate, golf and resort shares for sale, property development costs and land for future development within the next reporting period.

Considering the Group's pricing policy, the net realizable values of real estate, golf and resort shares for sale, property development costs and land for future development are higher than their related carrying values as of the end of the reporting periods.

(d) Fair Value of Stock Options

The Company estimates the fair value of the executive stock option by applying an option valuation model, taking into account the terms and conditions on which the executive stock option were granted. The estimates and assumptions used are presented includes, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Company's share price and fair value of the Company's common shares. Changes in these factors can affect the fair value of stock options at grant date.

(e) Estimating Useful Lives of Investment Property and Property and Equipment

The Group estimates the useful lives of investment property and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of investment property and property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

(f) Fair Value Measurement of Investment Property

Investment property is measured using the cost model. The fair value is determined by the Group using the discounted cash flows valuation technique since the information on current or recent prices of assumptions underlying the discounted cash flow approach of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(g) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets will be fully utilized within the prescribed period of availment.

(h) Impairment of Non-financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.17. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on investments in associates, investment property, property and equipment and other non-financial assets.

(i) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rate of return on plan assets, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the retirement benefit obligation in the next reporting period.

(j) *Revenue Recognition Using the Percentage-of-Completion Method*

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. The use of the percentage-of-completion method requires the Group to estimate the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts. There were no changes in the assumptions or basis for estimation during the period.

(k) *Basis for Revenue Recognition Benchmark*

As discussed in Note 2.14(a), the Group recognizes its revenue from sale of real estate in full when 25% or more of the total contract price is received. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the Group's collection history from customers and number of back-out sales in prior years. Buyer's interest in the property is considered to have vested when the payment of at least 25% of the contract price has been received from the buyer and the Group has ascertained the buyer's commitment to complete the payment of the total contract price.

4. Segment revenue and segment results for business segments or geographical segments, whichever is the enterprise's primary basis of segment reporting.

The following table present revenue and income information for the 1st quarter ended March 31, 2015 and 2014.

March 31, 2015

(Amount in thousands)

	Sales of Real Estate	Hotel Operations	Service and Rental	Total
Revenue	₱554,311	₱92,084	₱59,206	₱705,601
Cost	209,003	30,740	35,569	275,312
Gross profit	345,308	61,344	23,637	430,289
Realized gross profit – net	127,819	-	-	127,819
Realized gross profit	₱473,127	₱61,344	₱23,637	₱558,108

March 31, 2014*(Amount in thousands)*

	Sales of Real Estate	Hotel Operations	Service and Rental	Total
Revenue	₱411,354	₱85,685	₱32,339	₱529,378
Cost	192,284	27,706	18,038	238,028
Gross profit	219,070	57,979	14,301	291,350
Realized gross profit – net	54,768	-	-	54,768
Realized gross profit	₱273,838	₱57,979	₱14,301	₱346,118

- Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the period.
There have been no material events that happened subsequent to the interim period that need disclosure herein.
- Effect of changes in the composition of the enterprise during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operation.
Not applicable.
- Changes in contingent liabilities or contingent assets since the last annual balance sheet date
The Company is a party to certain lawsuits or claims arising from the ordinary course of business and from several of its joint venture agreements. The Group's management and legal counsels believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements, and thus, no provision has been made for these contingent liabilities.
- Existence of material contingencies and any other events or transactions that are material to an understanding of current interim period.
There have been no material contingencies and any other events or transactions that are material to an understanding of current interim period.
- Any events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.
There have been no events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.
- All 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.
There have been no material off-balance sheet transactions and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- Dividends paid separately for ordinary shares and other shares
Not applicable.

12. Seasonality or cyclical of interim operations

Not applicable

13. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size and incidence.

Not applicable

14. Issuances, repurchases, and repayments of debt and equity securities

There have been no issuance, repurchase and repayment of debt and equity securities for the period.

RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise of cash, short-term bank deposits and investments.

Exposures to credit and liquidity risk arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

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

Credit Risk

The investment of the Group's cash resources is managed so as to minimize risk while seeking to enhance yield. The Group's holding of cash and marketable securities expose the Group to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations, and the Group consequently suffers financial loss. Credit risk management involves entering into financial instruments only with counterparties with acceptable credit standing. The treasury policy sets aggregate credit limits of any one counterparty and annually reviews the exposure limits and credit ratings of the counterparties.

The Group has credit management policies in place to ensure that rental contracts are entered into with customers who have sufficient financial capacity and good credit history.

Sales to buyers of real estate which are collectible on installment are relatively risk-free. Sales to real estate buyers are documented under Contract to Sell agreements which allow cancellation of the sale and forfeiture of payments made in the event of default by buyers. Transfer of title is made to buyers only upon full payment of the account.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and

week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

Interest Rate Risk

The Group has no significant exposure to interest rate risk as some financial assets and liabilities are fixed-interest bearing.

Foreign Exchange Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. The currency exchange rates arise from Group's United States (U.S.) dollar-denominated cash and cash equivalents.

Management assessed that the foreign currency risks related to these U.S. dollar-denominated cash and cash equivalents to be not material.

CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

(Figures in thousands)

	<u>March 2015</u>	<u>December 2014</u>
Total Liabilities	P 9,730,710	P 9,109,694
Total Equity	<u>24,637,325</u>	<u>24,494,135</u>
Debt-to-equity ratio	<u>0.39:1</u>	<u>0.37:1</u>

CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In determining the fair value of its financial assets and liabilities, the Company takes into account its current circumstances and the costs that would be incurred to exchange or settle the underlying financial assets and liabilities.

The carrying amounts and fair value of the categories of financial assets and liabilities presented in the consolidated financial statement of financial position are shown below:

Figures in thousands

	<u>March 31, 2015</u>		<u>December 31, 2014</u>	
	Carrying	Fair	Carrying	Fair
	<u>Values</u>	<u>Values</u>	<u>Values</u>	<u>Values</u>
Financial assets				
Loans and receivables:				
Cash and cash equivalents	P 2,769,349	P 2,769,349	P 3,011,166	P 3,011,166
Trade and other receivables - net	4,815,043	4,815,043	4,189,213	4,189,213
Advances to related parties	<u>1,078,938</u>	<u>1,078,938</u>	<u>1,079,571</u>	<u>1,079,571</u>
	<u>P 8,663,330</u>	<u>P 8,663,330</u>	<u>P 8,279,950</u>	<u>P 8,279,950</u>

	<u>March 31, 2015</u>		<u>December 31, 2014</u>	
	Carrying	Fair	Carrying	Fair
	<u>Values</u>	<u>Values</u>	<u>Values</u>	<u>Values</u>
Financial liabilities				
Financial liabilities at amortized cost:				
Interest bearing loans and borrowings	P 200,000	P 200,000	P 200,000	P 200,000
Trade and other payables	2,733,142	2,733,142	2,537,037	2,537,037
Advances from related parties	514,057	514,057	472,887	472,887
Due to joint venture partners	258,429	258,429	253,467	253,467
Redeemable preferred shares	1,257,988	1,257,988	1,257,988	1,257,988
Accrued interest on preferred shares	<u>67,301</u>	<u>67,301</u>	<u>60,166</u>	<u>60,166</u>
	<u>P 5,030,917</u>	<u>P 5,030,917</u>	<u>P 4,781,545</u>	<u>P 4,781,545</u>

See notes to financial statements 2.4 and 2.9 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in page 41.

The Group does not actively engage in the trading of financial assets for speculative purposes.

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2015
(Amount in Thousands)

Annex A-1

	Unaudited Mar-15	Audited Dec-14
ASSETS		
CURRENT ASSETS		
Cash and Cash equivalents	2,769,349	3,011,166
Trade and other receivables - net	2,498,319	2,080,650
Advances to related parties	1,078,938	1,079,571
Real estate, golf and resort shares for sale-net	11,101,040	10,869,188
Property Development Costs	2,212,749	2,314,717
Prepayments and other current assets	1,124,116	1,057,529
Total Current Assets	<u>20,784,511</u>	<u>20,412,821</u>
NON-CURRENT ASSETS		
Trade and other receivables - net	2,316,724	2,108,563
Advances to real estate property owners	1,040,972	1,062,737
Land for future development	7,177,366	7,216,275
Investment in associates	1,514,338	1,514,346
Investment Properties - net	540,148	289,129
Property and equipment - net	934,399	944,805
Other non-current assets	59,577	55,153
Total Non-current Assets	<u>13,583,524</u>	<u>13,191,008</u>
TOTAL ASSETS	<u><u>34,368,035</u></u>	<u><u>33,603,829</u></u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Interest bearing loans and borrowings	200,000	200,000
Trade and other payables	2,733,142	2,537,037
Customer's deposit	1,187,201	1,009,496
Advances from related parties	514,057	472,887
Reserve for property development	325,959	361,141
Deferred income on real estate sales	531,275	591,761
Total Current Liabilities	<u>5,491,634</u>	<u>5,172,322</u>
NON-CURRENT LIABILITIES		
Customer's deposit	448,158	270,303
Due to joint venture partners	258,429	253,467
Redeemable preferred shares	1,257,988	1,257,988
Reserve for property development	1,009,032	1,004,857
Deferred income on real estate sales	832,793	710,024
Deferred tax liabilities-net	271,850	239,519
Retirement benefit obligation	57,909	57,909
Other non-current liabilities	102,917	143,305
Total Non-current Liabilities	<u>4,239,076</u>	<u>3,937,372</u>
Total Liabilities	<u>9,730,710</u>	<u>9,109,694</u>
EQUITY		
Equity attributable to parent company's shareholder	21,022,867	20,899,577
Non-controlling interest	3,614,458	3,594,558
Total Equity	<u>24,637,325</u>	<u>24,494,135</u>
TOTAL LIABILITIES AND EQUITY	<u><u>34,368,035</u></u>	<u><u>33,603,829</u></u>

GLOBAL-ESTATE RESORT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 1Q2015 VS. 1Q2014

Annex A-2

(Amount in Thousands)

	1st Quarter 2015	1st Quarter 2014
REVENUES		
Real estate sales	554,311	411,354
Rental income	11,297	11,300
Hotel operations	92,084	85,685
Realized gross profit on prior year sale	127,819	54,768
Service income	47,909	21,039
Finance and other income	51,626	55,765
	885,046	639,911
COST AND EXPENSES		
Real estate sales	209,003	192,284
Cost of services	35,569	18,038
Cost of hotel operations	30,740	27,706
Deferred gross profit on real estate sales	190,167	114,072
Operating expenses	212,851	125,169
Finance costs and other charges	15,903	16,339
Income tax expense	52,185	43,666
	746,418	537,274
Net Profit (Loss)	138,628	102,637
Other Comprehensive Loss		
Revaluation reserve	(1,032)	-
Total Comprehensive Income (Loss)	137,596	102,637
Net profit (loss) attributable to:		
Parent Company's shareholder	118,728	88,586
Non-controlling interest	19,900	14,051
	138,628	102,637
Total Comprehensive Income(loss) attributable to:		
Parent Company's shareholders	117,696	88,586
Non-controlling interest	19,900	14,051
	137,596	102,637
Earnings per share	<u>0.0108</u>	<u>0.0081</u>

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Annex A -3

(Amount in Thousands)

	1st Quarter 2015	1st Quarter 2014
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		
CAPITAL STOCK	10,986,000	10,986,000
ADDITIONAL PAID IN CAPITAL	4,747,739	4,747,739
REVALUATION RESERVE	1,327	9,991
RETAINED EARNINGS	5,287,801	4,457,172
	<u>21,022,867</u>	<u>20,200,902</u>
NON-CONTROLLING INTEREST	<u>3,614,458</u>	<u>3,536,915</u>
TOTAL STOCKHOLDERS' EQUITY	<u><u>24,637,325</u></u>	<u><u>23,737,817</u></u>

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW

(Amounts in Thousands)

Annex A-4

	Mar-15	Mar-14
Net Income before tax	190,813	146,303
Add(less)		
Interest expense	10,933	11,341
Amortization of deferred interest	4,962	4,962
Depreciation and amortization	18,690	11,403
Interest income	(9,979)	(16,037)
Equity in net earnings (loss) of associates and joint venture	8	35
Operating Income(loss) before working capital changes	<u>215,427</u>	<u>158,007</u>
Net Changes in Operating Assets and Liabilities		
Decrease(Increase) current and non current asset	(996,379)	(494,132)
(Decrease)Increase current and non current liabilities	515,054	1,634
Cash paid for income taxes	(2,973)	(16,228)
Cash from(used in) Operating Activities	<u>(268,871)</u>	<u>(350,719)</u>
Cash from(used in) Investing Activities	(14,116)	25,993
Cash from (used in) Financing Activities	<u>41,170</u>	<u>(18,084)</u>
Net Increase (decrease) in cash and cash equivalent	(241,817)	(342,810)
Cash and cash equivalent at the beginning of the year	3,011,166	4,469,172
Cash and cash equivalent at the end of the year	<u><u>2,769,349</u></u>	<u><u>4,126,362</u></u>

GLOBAL-ESTATE RESORTS, INC, AND SUBSIDIARIES
 AGING OF ACCOUNTS RECEIVABLE

AS OF MARCH 31, 2015

(Amounts in Thousands)

Annex A-5

Aging of Accounts Receivable

Type of receivables:	TOTAL	CURRENT/NOT YET DUE	1 Month	2-3 Months	4-6 Months	7 Months to 1 Year
a. Trade/Other Receivable	4,815,043	4,604,522	106,120	60,056	25,897	18,448
Net Receivable	4,815,043					