

COVER SHEET

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S.E.C. Registration Number

G L O B A L - E S T A T E R E S O R T S I N C

(Company's Full Name)

7 T H F l o o r R e n a i s s a n c e T o w e r s

M e r a l c o A v e n u e P a s i g C i t y

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

ROBERTO S. ROCO

Contact Person

637-20-48 OR 637-45-81

Company Telephone Number

1 2

Month
calendar year

3 1

Day

SEC FORM 17-Q (1ST QUARTER)

FORM TYPE

Month

Day

annual meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/ Section

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Dociment I.D.

Cashier

STAMPS

SEC Number **ASO94004462**
File Number _____

GLOBAL-ESTATE RESORTS, INC.
(Company's Full Name)

6/F Renaissance Towers, Meralco Avenue, Pasig City
(Company's Address)

(632) 637-0100
(Tel. No.)

December 31, 2011
(Calendar Year Ending)

SEC FORM 17-Q (1st QUARTER)
(Form Type)

March 31, 2011
(Period ended date)

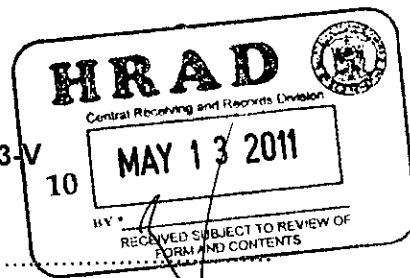
REGISTERED AND LISTED
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **March 31, 2011**
2. Commission identification number.....: **ASO94004462**
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) 637-0100

9. Former name, former address and former fiscal year, if changed since last report
Former name: Fil-Estate land, Inc.; Former Fiscal Year: October 2009 to September 2010

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	8,350,000,000
Loans payable	P -
Bonds payable	P -

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

Yes [X] 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, 2011 and December 31, 2010; Annex A-2 for the Consolidated Statements of Income, Annex A-3 for the Comprehensive Income for the three-month period ended March 31, 2011 and March 31, 2010; Annex A-4 for Consolidated Statements of Changes in Stockholders' Equity for the three-month period ended March 31, 2011 and March 31, 2010; Annex A-5 for the Consolidated Statements of Cash Flows for the three-month period ended March 31, 2011 and March 31, 2010 and Annex B for the Aging of Receivables for the 1st Quarter ended March 31, 2011.

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

Mr. Roberto S. Roco

Title

Chief Financial Officer

Signature

Date

Roberto S. Roco
5/13/11

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
MANAGEMENT DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE 1st QUARTER ENDED March 31, 2011

REVIEW OF RESULTS OF OPERATIONS

Revenues for the three-month period amounted to ₱ 261.2 million. The Company's sales of real estate and golf club and resort shares of ₱ 140.8 million came from sale of condominium units in Eight Sto Domingo Place in Quezon City, residential lots in Magnificat Exec. Village in Lipa Batangas, Monte Cielo De Naga in Naga City, Sta. Barbara Heights in Ilo-Ilo City and sale of commercial lots in Carmona Cavite. Income from rentals and golf course maintenance contracts amounted to ₱ 45.2 million. Balance of revenues were contributed by equity in net earnings of associates and other income of ₱ 75.2 million

The company posted a P44.1 million Net Income for the three-month period ended March 31, 2011, as compared to a P11.23 million net income realized as of March 31, 2010, mainly due to increase in real estate sales and other services.

As a result, Earnings per share increased to P 0.0055 from the previous year's level of P 0.0028.

Major Movements of Income Statement Accounts are as follows:

- **90.91% Increase in Sale of Real Estate and Golf Club and Resort Shares** – Sale of real estate and golf and resort shares increased by **P67.03 million** as compared to the previous year's level due to higher sales generated by the company during the reporting period.
- **76.83% Increase in Service and Rental Income** – Service and rental income for the period ending March 31, 2011 increased by **P19.63 million** to **P45.17 million** from **P 25.55 million**.
- **65.65% Increase in Equity in Net Earnings of Associates, Joint Ventures, interest and other income** – Primarily due to increase in other income.

- **50.89% Increase in Cost of Real Estate and Golf Club and Resort Shares Sold** - As a result of increase in Sales, Cost of Sales also increased by **P19.29 million (50.89%)** to **P57.19million** from last year's level of **P37.90 million**.
- **29.06% Increase in Cost of Services** - Cost of Services is up by **P4.77 million (29.06%)** to **P21.20 million** from last year's level of **P16.43 million** on account of increase in labor and materials used in golf course maintenance.
- **20.65% Increase in General & Administrative Expense** – Mainly due to additional administrative expense.
- **232.11% Increase in Interest and other charges** – Financial expense during the period went up to **P46.95 million** from the previous year's level of **P14.14 million**.

REVIEW OF FINANCIAL CONDITION

Consolidated Total Assets as of March 31, 2011 is **P18.01 billion**. Following is a brief discussion of the movements of assets and liabilities of the company during the period:

- **Cash and cash equivalents increased by P2.31 billion (1,240.51%) to P2.49 billion** from the end of December 2010 level of **P185.97 million** as a result of the subscriptions received from Alliance Global Group Inc.(AGI).
- **Trade and other receivables increased by P154.72 million (5.35%) to P3.05 billion** from the end of December 2010 level of **P 2.89 billion** due to additional sales bookings.
- **Investment Properties increased by P 497.67 million** due to additional land acquisition.
- **Other current liabilities decreased to P1.28 billion** from the **P1.81 billion** level as of end December 2010 mainly due to payment of accrued interest.
- **Loans payable and Bonds payable** were paid during the period.
- **Equity attributable to parent company increased by P 5.04 billion** mainly due to investment of AGI.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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 monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk.

The Group has no bank debt and has reduced payables to suppliers, contractors and other creditors via asset swap arrangements utilizing the Group's real estate and golf and resort shares inventory.

As a matter of policy, no new bank debt shall be secured unless for project development purposes which are expected to provide sufficient cash flows to ensure repayment.

Interest Rate Risk

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group follows prudent policies in managing its exposures to interest rate fluctuation, and constantly monitors its exposure to fluctuation in interest rates to estimate the impact of interest rate movements on its interest expense.

Borrowings of the Group are usually at fixed rates. Thus, no interest rate sensitivity analysis is presented.

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 loans denominated in US dollars.

The exchange rate exposure is mitigated by a provision in the loan agreement that allows prepayment of the US Dollar loan in whole or in part without penalty in the event of an exchange fluctuation. Moreover, the group seeks to manage the effect of its foreign exchange exposure by purchasing US dollars and generating revenues in foreign currency that will result to a natural hedge.

Capital Risk Management

The Company's objective in managing capital is to maintain a strong credit rating and healthy capital ratios in order to support its business and maintain stockholders' confidence and to sustain future development of the business.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

Gearing ratio as of March 31, 2011 and December 31, 2010 are as follows:

	March 2011	December 2010
Interest bearing loans and borrowings		480,970
Bonds payable		1,097,125
Less: Cash	2,493,002	185,974
Net (Cash)/Debt	(2,493,002)	1,392,121
Total Capital	14,229,328	9,182,528
Capital and Net Cash	11,736,326	10,574,649
Gearing Ratio	-21.24%	13.16%

The Company has complied with its covenant obligations, including maintaining the required gearing ratio for both periods.

KEY PERFORMANCE INDICATORS

LEVERAGE OR LONG-RANGE SOLVENCY RATIOS

	March 31, 2011	December 31, 2010	Change
Debt to Total Assets	20.97%	39.24%	(18.27%)
Equity to Total Assets	79.03%	60.76%	18.27%
Debt to Equity	26.54%	64.59%	(38.05%)

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 creditors to that of the owners.

ACTIVITY RATIOS

	March 31, 2011	December 31, 2010	Change
Assets Turnover	0.78%	0.49%	0.29%
Equity Turnover	0.31%	0.12%	0.19%

Assets Turnover – It measures the level of sales in relation to assets.

Equity Turnover - It tests the productivity of owners' investments.

PROFITABILITY RATIOS

	December 31, 2010	December 31, 2009	Change
Earnings Per Share (EPS)	₱0.0055	₱0.0028	₱0.0027

Earnings Per Share - It shows the income earned from each share of common stock outstanding. The EPS for the year increased by ₱0.0027 due to net income reported for the period.

OTHERS

As of the 1st quarter ended March 31, 2011, there are no:

- Known trend, demands, commitments, events or uncertainties that would have a material impact on 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.

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
FOR THE 1ST QUARTER ENDED MARCH 31, 2011

Corporate Information

Change in company name of the parent company was approved by Securities and Exchange Commission (SEC) last March 29, 2011 from Fil-Estate Land, Inc. to Global-Estate Resorts, Inc. (GERI)

The ultimate parent company of the Group is Alliance Global Group Inc. (AGI) with office address at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan Quezon City.

Subscription Agreement

On December 22, 2010, the Alliance Global Group, Inc. entered in to a Subscription Agreement with the parent Company to invest and acquire controlling interest in the latter.

The agreement initiated an application by the parent Company with Securities and Exchange Commission (SEC) for an increase in authorized capital stock from Php5 billion to Php10 billion. On January 20, 2011, the SEC approved the parent Company's application for increase in capital stock.

a. Accounting policies and methods of computation

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale investments which are measured at fair values. These consolidated financial statements are presented in Philippine peso, which is the Group's functional currency, rounded to the nearest thousand except when otherwise indicated.

On March 29, 2011, the SEC approved the changes in accounting period of the Group from Fiscal (Sept. 30) to Calendar method. The group adopted the calendar method of financial reporting effective 1st quarter of 2011.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements consist of the financial statements of the Parent Company and its subsidiaries as of March 31, 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies. These subsidiaries and the percentage of ownership of the Parent Company are as follows:

<u>Name of Subsidiary</u>	<u>Percentage of Ownership</u>
Fil-Estate Properties Inc. (FEPI)	100.0
Aklan Holdings Corporation (Aklan)	100.0
Blue Sky Airways, Inc.**	100.0
Fil-Estate Industrial Park, Inc. (FEIP)*	78.9
Fil-Estate Subic Development Corporation*	100.0
Fil-Power Concrete Blocks Corporation (FPCBC)*	100.0
Fil-Power Construction Equipment Leasing Corporation (FPCELC)	100.0
Golden Sun Airways, Inc.**	100.0
La Compañia De Sta. Barbara, Inc.	100.0
MCX Corporation (MCX)	100.0
Pioneer L-5 Realty Corporation	100.0
Prime Airways, Inc.**	100.0
Sherwood Hills Development, Inc. (SHDI)	55.0
Sto. Domingo Place Development Corporation	100.0
Fil-Estate Golf and Development, Inc. (FEGDI)	100.0
Golforce, Inc. (Golforce)	100.0
Fil-Estate Ecocentrum Corporation (FEEC)	56.0
Philippine Aquatic Leisure Corporation**	100.0
Novo Sierra Holdings	100.0
Fil-Estate Urban Development Corporation (FEUDC)	100.0
Twin Lakes Corporation***	99.2
Megaworld Global-Estate Inc.***	60.0

* *Preoperating companies*

** *Dormant companies*

*** Newly acquired company as of 1Q2011

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The equity and net income attributable to minority interests of the consolidated subsidiaries are shown separately in the consolidated balance sheets and consolidated statements of equity and consolidated statements of income, respectively.

All significant intercompany accounts and transactions are eliminated.

Minority Interests

Minority interest represents the interest in a subsidiary, which is not owned, directly or indirectly through subsidiaries, by the Parent Company. If losses applicable to the minority interest in a subsidiary exceed the minority interest's equity in the subsidiary, the excess, and any further losses applicable to the minority interest, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is

allocated all such profits until the minority interest's share of losses previously absorbed by the majority interest has been recovered.

Minority interests represent the interests in FEIP, SHDI and FEEC not held by the Group.

Statement of Changes in Accounting Policies

The accounting policies and methods of computations adopted in the interim financial statements are consistent with those adopted in the September 30, 2010 Audited Financial Statements that includes the adoption of new accounting standards and amendments which became effective in 2008 as follows:

- Amendment to Philippine Interpretation IFRIC 11, *PFRS 2 - Group Treasury Share Transactions (effective for annual periods beginning on or after March 1, 2007)* requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholders of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when the subsidiary's employees receive rights to the equity instruments of the parent. The Group currently does not have any stock option plan and therefore, does not have a significant impact in its consolidated financial statements.
- Amendment to Philippine Interpretation FRIC 14, PAS 19, *The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after January 1, 2008) addresses three issues (1) how entities should determine the limit places by PAS 19 Employee Benefits on the amount of a surplus in a pension plan they can recognize as an asset; (2) how a minimum funding requirement affects that limit; and (3) when a minimum funding requirement creates an onerous obligation that should be recognized as a liability in addition to that otherwise recognized under PAS 19. The adoption of this interpretation did not have significant impact on the financial statements for currently, the Group does not maintain a fund asset.

The Group has not adopted the following Philippine Interpretations since these are not relevant to the Group which became effective in 2008:

- Philippine Interpretation IFRIC 12, *Service Concession Arrangements* (effective for annual periods beginning on or after January 1, 2008) addresses how service concession operators should apply existing PFRS to account for the obligations they undertake and rights they receive in service concession arrangements. It covers contractual arrangements arising from private entities providing public services.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (effective for annual periods beginning on or after July 1, 2008) addresses how companies that grant their customer loyalty award credits (often called "points"), when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points. Under this IFRIC, companies must estimate

the value of the points and defer this amount of revenue as a liability until they have fulfilled their obligations to supply awards.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after October 1, 2008) applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and that apply hedge accounting in accordance with PAS 39. It clarifies the following issues: (a) whether risk arises from foreign currency exposure to the functional currencies of the foreign operation and the presentation currency of the parent entity's consolidated financial statements; (b) which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation must also hold the hedging instrument; (c) how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment. The main expected change in practice is to eliminate the possibility of an entity applying hedge accounting for a hedge of the foreign exchange differences between the functional currency of a foreign operation and the presentation currency of the parent's consolidated financial statements. The IFRIC recognizes the difficulty that entities would face in preparing adequate documentation from the inception of the hedge relationship and therefore requires prospective application of the guidance.

Future Changes in Accounting Policies

The Group has not applied the following new and amended PFRS and Philippine Interpretations which are not yet effective for the fiscal year ended September 30, 2010. Except for the adoption of Philippine Interpretation IFRIC 15, Agreement for Construction of Real Estate, the following new and amended PFRS and Philippine Interpretations will not significantly impact the consolidated financial statements:

Effective in 2009 for adoption on fiscal year ending September 30, 2010

- Amendment to PAS 1, *Presentation of Financial Statements, Revised*, effective for annual periods beginning on or after January 1, 2009. In accordance with the amendment to PAS 1, the statement of changes in equity shall include only transactions with owners, while all non-owner changes will be presented in equity as a single line with details included in a separate statement. Owners are defined as holders of instruments classified as equity.

In addition, the amendment to PAS 1 provides for the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in the statement of income together with 'other comprehensive income'. The revisions specify what is included in other comprehensive income, such as gains and losses on available-for-sales assets, actuarial gains and losses on defined benefit pension plans and changes in the asset revaluation reserve. Entities can choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. The Group does not expect this amendment to have a significant impact on the financial statements.

- PAS 23, *Borrowing Costs*, (effective for annual periods beginning on or after January 1, 2009), has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In

accordance with the transitional requirements in the Standard, this change in accounting for borrowing costs shall be accounted for prospectively. Accordingly, borrowing costs will be capitalized on qualifying asset with a commencement date after January 1, 2009. The adoption of this amendment will have no impact on the financial statements because it was the Group's policy to capitalize borrowing costs.

- Amendments to PAS 32, *Financial Instrument: Presentation*, and PAS 1, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)*, (effective for annual periods beginning on or after January 1, 2009) have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria.
- Amendments to PFRS 1, *First-time Adoption of PFRS- Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate*, (effective for annual periods beginning on or after January 1, 2009) allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial items) as one of the following amounts: a) cost determined in accordance with PAS 27; b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39; or c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.
- PFRS 2, *Share-based Payment Vesting Condition and Cancellations*, (effective for annual periods beginning on or after January 1, 2009) has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defined a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation.

Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary, as well as the loss of control of a subsidiary. The changes introduced by the revised standards must be applied prospectively and will affect future acquisitions and transactions with minority interests.

- PFRS 3, *Business Combinations (Revised)*, and PAS 27, *Consolidated and Separate Financial Statements (Revised)*, will become effective for financial years beginning on or after July 1, 2009. The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. The revised PAS 27 requires that a change in the ownership interest of a subsidiary be accounted for as an equity transaction.
- PFRS 7, *Financial Statements: Disclosures* (effective for annual periods beginning on or after January 1, 2009) requires additional disclosures about the fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using three (3) level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the

beginning and ending balance for level three (3) fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy.

- PFRS 8, *Operating Segment* (effective for annual periods beginning on or after January 1, 2009) replaces PAS 14, *Segment Reporting* and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the consolidated balance sheets and consolidated statements of income and entities will need to provide explanations and reconciliations of the differences. The disclosures are similar to information used internally by management and are significantly similar to previous years' presentation.
- PAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items (Amendment)*, will become effective for financial years beginning on or after July 1, 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The amendment will not have any impact on the financial statements as the Group has not entered into any such hedges.
- Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners* (effective for annual period beginning on or after July 1, 2009) covers accounting for two types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners. The two types of distribution are:
 - a. distributions of non-cash assets (e.g., items of property, plant and equipment, businesses as defined in PFRS 3, ownership interests in another entity or disposal groups as defined in PFRS 5); and
 - b. distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

This Philippine Interpretation addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by shareholders who receive such a distribution.

- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers* (effective for annual period beginning on or after July 1, 2009) covers accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. Agreements within the scope of this Interpretation are agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. This Philippine Interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

Effective in 2010 for adoption on calendar year ending December 31, 2011

- Amendment to PFRS 2, *Share-based Payment: Group Cash-settled Share-based Payment Transactions*, will become effective for financial years beginning on or after January 1, 2010. This amendment clarifies the scope and the accounting for the Group cash-settled share based payment transactions. This amendment will have no impact on the consolidated financial statements of the Group, as the Group is not involved in any similar transactions.

Effective in 2012 for adoption on calendar year ending December 31, 2012

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*. This interpretation, which may be early applied, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts* or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and rewards of ownership are transferred to the buyer on a continuous basis and will be accounted for based on stage of completion.

The adoption of this Interpretation will be accounted for retrospectively and will result to the restatement of prior period financial statements. The adoption of this Interpretation may significantly affect the determination of the net income and the related Receivables from sales of real estate, deposit on real estate sales, deferred tax liabilities and retained earnings accounts.

The Group is currently assessing the impact of these standards and interpretations. The revised disclosures on the financial statements required by the above standards and interpretations will be included in the Group's consolidated financial statements when these are adopted.

Improvements to Existing Accounting Standards

The following are the IASB issued omnibus of amendments to its standards, issued in May 2008 and April 2009, effective January 1, 2010, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption did not result to significant effects on the financial statements.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, when a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale.
- PFRS 7, *Financial Instruments: Disclosures*, removes the reference to "total interest income" as a component of finance costs.
- PAS 1, *Presentation of Financial Statements*, provides that assets and liabilities classified as held for trading in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, are not automatically classified as current in the balance sheets.

- PAS 7, *Statements of Cash Flows*, provides expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.
- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, clarifies that only the implementation guidance that is an integral part of a PFRS is mandatory when selecting accounting policies.
- PAS 10, *Events after the Balance Sheet Date*, clarifies that dividends declared after the end of reporting period are not obligations.
- PAS 16, *Property, Plant and Equipment*, replaces the term “net selling price” with “fair value less costs to sell”. It further clarifies that items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventory when rental ceases and they are held for sale.
- PAS 18, *Revenue*, replaces the term “direct costs” with “transaction costs” as defined in PAS 39, *Financial Instruments: Recognition and Measurement*.
- PAS 19, *Employee Benefits*, revises the definition of past service costs, return on plan assets and short-term and long-term employee benefits. Amendments to plans that result in reduction in benefits related to future services are accounted for as curtailment. It deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.
- PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, provides that loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Various terms were revised to be consistent with other PFRS.
- PAS 23, *Borrowing Costs*, revises the definition of borrowing costs to consolidate the two types of items that are considered components of borrowing costs into one – the interest expense calculated using the effective interest method calculated in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*.
- PAS 27, *Consolidated and Separate Financial Statements*, states that when a parent entity accounts for a subsidiary in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- PAS 28, *Investment in Associates*, establishes that if an associate is accounted for at fair value in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.
- PAS 29, *Financial Reporting in Hyperinflationary Economies*, revises the reference to the exception to measure assets and liabilities at historical costs, such that it notes

property, plant and equipment as being an example, rather than implying that it is a definitive list. Various terms were revised to be consistent with other PFRS.

- PAS 31, *Interest in Joint Ventures*, provides that if a joint venture is accounted for at fair value in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, only the requirement of PAS 31 to disclose the commitments of the venturer and the joint venture as well as summary financial information about the assets, liabilities, income and expense will apply.
- PAS 34, *Interim Financial Reporting*, requires that earnings per share be disclosed in interim financial reports if an entity is within the scope of PAS 33, *Earnings per Share*.
- PAS 36, *Impairment of Assets*, provides that if discounted cash flows are used to estimate "fair value less costs to sell," additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate "value in use."
- PAS 38, *Intangible Assets*, requires that expenditure on advertising and promotional activities is recognized as an expense when the Group has either the right to access the goods or has received the services.
- PAS 39, *Financial Instruments: Recognition and Measurement*, changes in circumstances relating to derivatives are not reclassification and therefore maybe either removed from, or included in, the "fair value through profit or loss" (FVPL) classification after initial recognition. It removes the reference to a segment when determining whether an instrument qualifies as a hedge. It further requires the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- PAS 40, *Investment Property*, revises the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time that fair value can be determined or construction is complete. It revises the conditions for a voluntary change in accounting policy to be consistent with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, and clarifies that the carrying amount of investment property held under lease is the valuation obtained, increased by any recognized liability.
- PAS 41, *Agriculture*, removes the reference to the use of pre-tax discount rate to determine fair value. It likewise removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Furthermore, it replaces the term "point-of-sale costs" with "costs to sell".

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue and/or cost is recognized:

Sale of Real Estate and Golf Club and Resort Shares

The percentage of completion method is used to recognize income from sale of residential/commercial condominium buildings, townhouses, and golf club and resort shares if the Group has material obligations under the sales contract, to complete or provide improvements after the property is sold. Under this method, the gain on sale is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of the physical portion of the contract work. Any excess of collections over the recognized receivables are included in the "deposit on real estate sales" account in the consolidated balance sheets.

Gain from sale of completed residential and commercial lots, and resort shares, where a sufficient down payment has been received, the collectibility of sales price is reasonably assured, the refund period has expired, the receivables are not subordinated and the seller is not obligated to complete improvements, is accounted for under the full accrual method.

Contract costs include all direct materials and labor costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

The related commission is recognized as expense in the same period when the gain on sale of real estate and golf club and resort shares is recognized. The amount of commission pertaining to deposit on real estate sales is shown as part of "Prepaid expenses and other current assets" account in the consolidated balance sheets.

Service

Service income is recognized when services are rendered in accordance with existing maintenance agreements.

Rent

Rental income is recognized under the accrual method based on the terms of the existing lease agreements.

Interest

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

Dividend

Dividend income is recognized when the Group's right to receive the payment is established.

Other Income

Other income is recorded when earned.

Cost and Expenses

Cost and expenses are recognized in the statements of income upon utilization of the service or at the date they are incurred. Expenditure for warranties is recognized and

charged against the associated provision when the related revenue is recognized. Finance costs are reported on an accrual basis.

Cash and Cash Equivalents

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

Financial Assets and Liabilities

Financial assets and liabilities are recognized initially at fair value. Transaction costs, if any, are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss. Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

The Group recognizes a financial asset or financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date the Group commits to purchase the assets. Regular way purchases or sales are purchases or sales of financial asset that require the delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets and financial liabilities are classified into the following categories: Financial asset or financial liability at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other liabilities. The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

a. Financial Assets or Financial Liabilities at Fair Value Through Profit or Loss (FVPL)

A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by the management as at fair value through profit or loss.

Assets or liabilities classified under this category are carried at fair value in the consolidated balance sheets. Changes in the fair value of such assets and liabilities are accounted for in earnings.

As of March 31, 2011 and December 31, 2010, the Group has no investments at FVPL.

b. 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. This category includes installment contracts and other receivables and

short-term cash investments (with maturities of more than 90 days). Loans and receivables are carried at cost or amortized cost in the consolidated balance sheets. Amortization is determined using the effective interest rate method and is included in the "Financial income" account in the consolidated statements of income. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

c. Held-to-maturity Investments

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

As of March 31, 2011 and December 31, 2010, the Group has no held-to-maturity investments.

d. Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are carried at fair value in the consolidated balance sheets. Changes in the fair value of such assets are accounted for in equity. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from the balance sheet date.

e. Financial Liabilities

Financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Group owes money, goods or services directly to a creditor with no intention of trading the payables. This category includes loans, trade and other payables and related party payables. Financial liabilities are carried at cost or amortized cost in the consolidated balance sheets. Amortization is determined using the effective interest rate method and is included in the "Financial expense" account in the consolidated statements of income. Financial liabilities are included in current liabilities if maturity is within 12 months from the balance sheet date.

Impairment of Financial Assets

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

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is

measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the Group's consolidated statements of income.

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

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

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

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from an asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from the asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's

continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in consolidated statements of income.

Offsetting Financial Instruments

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

Real Estate and Golf Club and Resort Shares for Sale and Land Held for Future Development

Real estate and golf club and resort shares for sale and land held for future development are valued at the lower of cost and net realizable value. Cost includes the acquisition cost of the land plus all costs directly attributable to the acquisition for projects where the Group is the landowner, and includes actual development cost incurred up to balance sheet date for projects where the Group is the developer. Interest on loans (borrowing costs) incurred during the development phase is also capitalized as part of the development cost of real estate properties.

Net realizable value is the selling price in the ordinary course of business less cost to complete and to market. A valuation allowance is provided for real estate and golf club and resort shares for sale and land held for future development when the net realizable values of the properties are less than the carrying costs.

Prepaid Expenses

Prepaid expenses are costs such as deferred commissions which are paid in advance of actually incurring them and regularly recurring in the normal course of the business. Prepaid expenses are amortized as the benefits of the payments are received by the Group.

Investments

a. Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates of the Parent Company and FEPI in which ownership interest ranges between 20% and 50% or where the Parent Company and FEPI exercise significant influence mainly through representation in the board and participation in the policy-making processes. These associates are as follows:

Name of Associate	Percentage of Ownership
MRT Development Corporation	30.9
Fil-Estate Marketing Companies	
Fil-Estate Marketing Associate, Inc. (FEMAI)	20.0
Fil-Estate Network, Inc. (FENI)	20.0
Fil-Estate Realty Corporation (FERC)	20.0
Fil-Estate Realty Sales Associate, Inc. (FERSAI)	20.0
Fil-Estate Sale, Inc. (FESI)	20.0
Nasugbu Properties, Inc. (NPI)*	36.2

* *Preoperating stage*

Investments in associates are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

If the Group's share of losses of an associate equals or exceeds the cost of investment, the Group discontinues recognizing its share of further losses. If the associate subsequently reports income, the Group resumes including its share of such income after its share of income equals the share of losses not recognized. However, additional losses and liability is recognized to the extent that the Group has incurred legal or constructive obligations or made payments in behalf of the associate. The excess of accumulated equity in net losses over cost of investment and advances in associates is presented under "Other noncurrent liabilities" account in the consolidated balance sheets (see Note 10).

Profits and losses resulting from upstream and downstream transactions between the Group and associates are recognized in the Group's financial statements only to the extent of unrelated interests in the associate. The Group's share in the associate's profits and losses resulting from these transactions are eliminated.

b. Joint Ventures

The Group follows the equity method in valuing their investments in joint ventures. The share of the Group from these projects is up to more than 50%. These joint ventures are as follows:

Name of Joint Ventures	Percentage of Ownership
<u>High-rise Projects</u>	
Capitol Plaza	70
Paragon Plaza	50
West Tower	50
Belvedere	50
Renaissance 5000	50
Renaissance 3000	80 of 16
Laurel (Batangas) Property	15.38 of 46.25

Investments in associates and joint ventures are carried in the Group's balance sheets at cost increased or decreased by post-acquisition changes in the Group's share in the net assets of the investees, less any impairment in value. Dividends received are not considered income but are deducted from the investment account.

- c. Other investments are carried at cost less presumably any permanent decline in value of investment.

Investment Properties

Investment property consists of assets that are held to earn rentals, and that are not occupied by the companies in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

The assets' residual values, useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation of investment properties, except land, is computed using the straight-line method over its useful life, regardless of utilization. The estimated useful lives of investment properties are as follows:

	Number of years
<u>Land improvements</u>	20
Buildings and improvements	10 to 20
Slides, pools and improvements	10

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation, commencement of an operating lease to another party or by the end of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

Property and Equipment

Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

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

In situations where it can be clearly demonstrated that the expenditure have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Number of years
Buildings and other improvements	10 – 50
Construction and maintenance equipment	5
Office furniture, fixtures and equipment	3 – 5
Water system	20
Transportation equipment	5
Slides, pool and improvements	10

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

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

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is credited or charged to statements of income.

Impairment of Non-Financial Assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment of any assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is computed as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

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

Income Taxes

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

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

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) and carry forward benefit of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

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

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

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

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs incurred during the construction period on loans and advances used to finance construction and property development are capitalized as part of construction and development costs (included under "Real estate and golf club and resort shares for sale" account in the consolidated balance sheets).

The capitalization of borrowing costs as part of the cost of the properties commences when the expenditures and borrowing costs for the properties are incurred and activities that are necessary to prepare the properties for their intended use are in progress and ceases when substantially all these activities are completed.

Commission Expense

Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonable expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the percentage of completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized. Commission expense is included under operating expenses account in the consolidated statements of income.

Foreign Currency Transactions and Translations

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 approximates those prevailing on transaction dates.

Foreign exchange 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 statements of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Related Party Transactions

Transactions between related parties are based on terms similar to those offered to non-related parties. Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in

making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Retirement Benefit Costs

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

The liability recognized in the consolidated balance sheets in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates that have terms to maturity approximating the terms of the related pension liability.

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

Operating Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires 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. A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement; or
- b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term; or
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in the circumstances gave rise to the reassessment for scenarios 'a', 'c' or 'd' above, and at the date of renewal or extension period for scenario 'b'.

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Equity

Capital stock is determined using the nominal value of shares that have been issued.

Revaluation reserve comprises of gains and losses due to the revaluation of available-for-sale financial assets and equity share in associate's revaluation reserve.

Retained earnings include all current and prior period results as reported in the statement of income. The appropriated portion represents the amount which is not available for distribution.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared.

Diluted EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares.

In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retroactively.

Segment Reporting

The Group's operating business are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in the consolidated financial statements. The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle obligation and a reliable estimate can be made of the amount of the obligation.

Contingencies

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

Events after the Balance Sheet Date

Post year-end events that provide additional information about the Group's position at the balance sheet date, if any, are reflected in the financial statements. However, post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

- b. Seasonality or cyclicity of interim operations
Not applicable.
- c. 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.

d. Nature and amount of changes in estimates

The preparation of the Group's consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumptions used in arriving at those estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements, as they become reasonably determinable. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of management, these consolidated financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from such estimates.

PAS 1 requires disclosures about key sources of estimation and judgments management has made in the process of applying accounting policies. The following presents a summary of these significant estimates and judgments:

Revenue and Cost Recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate sales are recognized based on the percentage of completion and the completion rate is measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Estimation of Allowance for Impairment Losses

Provisions are made for accounts specifically identified to be doubtful of collection. The level of this allowance is evaluated by management based on past collection history and other factors that affect the collectibility of the accounts.

Impairment of Available-for-sale Investments

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

Distinction between Investment Properties and Owner-Occupied Properties

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

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If portion can be sold separately (or leased out separately under finance lease), the Group accounts for such portion separately. If the portion cannot be sold separately, the property

is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Estimating Useful Lives of Property and Equipment and Investment Property

The useful life of each of the Group's property and equipment and investment property is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction on the estimated useful life of any investment property and property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

Classification of Leases

The Group has entered into various lease agreements as either a lessor or a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Currently, all of the Group's lease agreements are determined to be operating leases.

Classification of Financial Instruments

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's consolidated balance sheet.

The Group determines the classification at initial recognition and reevaluates this designation at every reporting date.

Financial Assets and Liabilities

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

Evaluation of Impairment of Non-Financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the net recoverable value of property and equipment and other non-financial assets require the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are

appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

Estimation of Retirement Benefit Cost

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

The assumptions for pension costs and other retirement benefits are described in Note 24 of the September 30, 2010 Audited Financial Statement, and include among others, rates of compensation increase. In accordance with PFRS, actual results that differ from actuarial assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Group's pension and other retirement obligations.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 24 to consolidated financial statements as of September 30, 2010.

Deferred Income Tax Assets

Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Contingencies

The Group is currently involved in legal and administrative proceedings. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on its financial position and results of operations. It is possible, however, that future results of operation could be materially affected by changes or in the effectiveness of strategies relating to these proceedings.

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

Omnibus Agreement with LIM Asia Arbitrage:

On March 5, 2007, the Fil-Estate Urban Development Corporation (borrower), a subsidiary together with FELI (guarantor) entered into an Omnibus Agreement ("agreement") with LIM Asia Arbitrage Fund, Inc. (LIM Asia, lender) for a US\$10.5 million loan facility (to be registered with Bangko Sentral ng Pilipinas) and a US\$2 million loan facility. The facility is being extended for five (5) years from the signing date.

Drawdown Pursuant to the Omnibus Agreement

The ₱100 million loan was coursed through loan line facility provided by Hong Kong and Shanghai Bank Corporation (HSBC). The loan was obtained on May 25, 2007 and is due for payment on November 25, 2008, with interest rate at 10% per annum for 18-month term payable in four equal installments quarterly in advance from the date of drawdown with a six month initial grace period. The loan is secured by a security deed and cash deposits amounting to USD\$2.5 million held under lien with HSBC Institutional Trust Services Asia Limited Hong Kong placed by Lim Asia. The said loan was secured to fund Cathedral Heights Townhouse Project (CHTP). The peso loan was renewed for another 12 months upon maturity and is due for payment in October 2009. In 2009, the maturity was further extended up to May 2010. On May 25, 2010, the drawdown repayment date was extended up to May 25, 2012.

The ₱130 million loan was obtained on August 3, 2007 and is due for payment 24 months from date of drawdown, with interest at 10% per annum payable in four equal installments, quarterly in advance from the date of drawdown with a six month initial grace period. The said loan was secured to fund Boracay villas project. The drawdown was made in US dollars and is likewise payable in US Dollars (see Note 29 of AFS).

On June 30, 2009, FEUDC obtained a ₱105 million loan and is due for payment 24 months from date of drawdown, with interest at 9% per annum paid in four equal installments, quarterly in advance from the date of drawdown with a six month initial grace period. The said loan was secured to fund Camp John Hay Suites (CJHS) projects. The drawdown was made in US dollars totaling \$2,173,598 and is likewise payable in US dollars.

Fixed Rate Convertible Bonds

On September 14, 2007, the Company (Issuer) entered into Bonds Issuance Facility Agreement (facility agreement) with Lim Asia Arbitrage Fund, Inc. (LAAF, original bondholder), The Hongkong and Shanghai Banking Corporation Limited (trustee), Banco De Oro-EPCI, Inc. –Trust Banking Group (paying agent, transfer agent or conversion agent) and Lim Advisors Limited (arranger) wherein the Company intends to issue a five (5)-year and one day fixed rate convertible bonds with a total face value of up to US\$25million, convertible to common shares of the capital stock of the issuer on terms and conditions provided. As of June 30, 2010, the Company has fully issued the US\$25million convertible bonds.

Repayment Agreement

On January 12, 2011, the Company and its subsidiary, FEUDC, entered into a Repayment Agreement with Lim Asia Multi Strategy Fund, Lim Asia Special Situations Master Fund Limited and the Lim Marketing Services Limited in relation to the Structured Loans obligations of FEUDC and the outstanding Convertible Bonds issued by the Company.

The salient features of the Agreement are as follows:

Payment of the Structured Loans Obligations:

On or before 28 January 2011, FEUDC or FELI will repay LAMS and/or LIM Marketing all amounts owing to:

- a. The structured Loan Facility for the Boracay Project granted under the Omnibus Agreement, in accordance with the terms of the Boracay 6th Extension Letter dated 15th December 2010.
- b. The structured Loan Facility for the Cathedral Heights Project granted under the Omnibus Agreement in accordance with the terms of the Cathedral Heights Extension Letter dated 25th May 2010.
- c. On or before the Loan Repayment Date, FEUDC or FELI will also pay all other amounts payable to LAMS and LIM Marketing in connection with the Omnibus Agreement, the Advisory Agreement and the Extension Letters, including all advisory fees and consent fees.

Early Redemption of the Convertible Bonds (CB):

On or before 31 March 2011; FELI shall redeem all the CBs issued under the Convertible Bond Facility Agreement at a premium to provide a Yield to Maturity of 16% per annum inclusive of all coupon payments, calculated to the CB redemption date.

As set forth in the Repayment Agreement on January 27, 2011 FEUDC paid off all amounts payable under the Structured Loan Obligation of FEUDC. FELI on February 2, 2011 redeemed the CBs issued under the Convertible Bond Facility.

- f. Dividends paid separately for ordinary shares and other shares
Not applicable.
- g. 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 first quarter ended March 31, 2011 and 2010.

March 31, 2011

(Amount in thousands)

	Sales of Real Estate and Golf Club and Resort Shares	Service and Rental	Total
Revenue	₱140,765	₱45,173	₱185,938
Cost of sales and services	57,194	21,202	78,396
Gross profit	83,571	23,971	107,542
Realized gross profit – net	-	-	-
Realized gross profit	₱83,571	₱23,971	₱107,542

March 31, 2010

(Amount in thousands)

	Sales of Real Estate and Golf Club and Resort Shares	Service and Rental	Total
Revenue	₱73,735	₱25,546	₱99,281
Cost of sales and services	37,904	16,428	54,332
Gross profit	35,831	9,118	44,949
Realized gross profit – net	-	-	-
Realized gross profit	₱35,831	₱9,118	₱44,949

- h. 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.

- i. 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.

- j. 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.

- k. 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.

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

The Company, in line with its objective of raising funds via capital build up and other fund raising exercises entered into an Omnibus Agreement and Bonds Issuance Facility Agreement with a certain Lender;

- m. 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.

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF MARCH 31, 2011

(Amount in Thousands)

Annex A -1

	Unaudited Mar-11	Audited December 2010
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash equivalents	2,493,002	185,974
Trade and other receivables - net	2,796,333	2,763,519
Inventory	6,608,034	6,668,365
Other current assets	490,875	499,550
Total Current Assets	<u>12,388,244</u>	<u>10,117,408</u>
NON-CURRENT ASSETS		
Trade and other receivables - net	252,612	130,710
Property and equipment	556,588	549,207
Investment properties	2,160,030	1,662,364
Investment in associates and joint venture	2,194,107	2,189,063
Deferred assets	437,925	448,595
Other non-current assets	15,855	15,966
Total Non-current Assets	<u>5,617,117</u>	<u>4,995,905</u>
TOTAL ASSETS	<u>18,005,361</u>	<u>15,113,313</u>
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Trade and other payables	1,922,602	1,942,949
Other current liabilities	1,276,575	1,811,316
Total Current Liabilities	<u>3,199,177</u>	<u>3,754,265</u>
NON-CURRENT LIABILITIES		
Loans payable	-	480,970
Bonds payable	-	1,097,125
Deferred tax liability	324,929	340,282
Other non-current liabilities	251,927	258,143
Total Non-current Liabilities	<u>576,856</u>	<u>2,176,520</u>
Total Liabilities	<u>3,776,033</u>	<u>5,930,785</u>
EQUITY		
Equity attributable to Parent Company's Shareholders	13,961,956	8,920,631
Non-controlling interest	267,372	261,897
Total Equity	<u>14,229,328</u>	<u>9,182,528</u>
TOTAL LIABILITIES AND EQUITY	<u>18,005,361</u>	<u>15,113,313</u>

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 1Q2011 VS. 1Q2010

Annex A -2

(Amount in Thousands)

	1st quarter 2011	1st quarter 2010
REVENUES		
Sale of real estate and golf club and resort shares	140,765	73,735
Service and rental	45,173	25,546
Equity in net earnings (losses) of associates and joint ventures, interest and other income	75,223	45,410
	261,161	144,691
COST AND EXPENSES		
Cost of real estate and golf club and resort shares	57,194	37,904
Cost of services	21,202	16,428
Operating expenses	78,843	65,349
Interest and other charges	46,945	14,135
Income tax expense	12,893	(356)
	217,077	133,460
Net Income (Loss) after income tax expense	44,084	11,231
Attributable to:		
Parent Company's shareholder	38,609	8,510
Non-controlling interest	5,475	2,721
	44,084	11,231
Earnings per share	0.0055	0.0028

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 1Q2011 VS. 1Q2010

Annex A -3

(Amount in Thousands)

	1st quarter 2011	1st quarter 2010
Net Income	44,084	11,231
Add(less): Other comprehensive income Revaluation reserve	(890)	(748)
Total Comprehensive income	43,194	10,483
Attributable to:		
Parent Company's shareholder	37,719	7,762
Non-controlling interest	5,475	2,721
	43,194	10,483

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

(Amount in Thousands)

Annex A -4

	1st quarter 2011	1st quarter 2010
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		
CAPITAL STOCK	8,350,000	3,066,878
ADDITIONAL PAID IN CAPITAL	1,597,739	1,597,739
REVALUATION RESERVE	(890)	(748)
RETAINED EARNINGS		
Appropriated for project development	3,680,000	3,680,000
Unappropriated	335,107	877,976
	<u>4,015,107</u>	<u>4,557,976</u>
	13,961,956	9,221,845
MINORITY INTEREST	267,372	282,083
TOTAL STOCKHOLDERS' EQUITY	<u>14,229,328</u>	<u>9,503,928</u>

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

(Amounts in Thousands)

Annex A-5

	1st quarter 2011	1st quarter 2010
Net Income before tax	56,977	10,875
Add(less)		
Interest expense	40,469	14,135
Amortization of deferred interest	4,975	9,342
Depreciation and amortization	5,925	4,595
Dividend Income	(2)	-
Interest income	(14,427)	(13,629)
Equity in net earnings (loss) of associates and joint venture	(1,244)	3,746
Operating Income(loss) before working capital changes	92,672	29,064
Net Changes in Operating Assets and Liabilities		
Decrease(Increase) current and non current asset	(68,105)	138,523
(Decrease)Increase current and non current liabilities	(622,101)	(205,948)
Cash paid for income taxes	(12,893)	(727)
Cash from(used in) Operating Activities	(610,426)	(39,088)
Cash from(used in) Investing Activities	(507,167)	24,552
Cash from (used in) Financing Activities	3,424,621	(28,400)
Net Increase (decrease) in cash and cash equivalent	2,307,028	(42,936)
Cash and cash equivalent at the beginning of the year	185,974	120,429
Cash and cash equivalent at the end of the year	2,493,002	77,493

