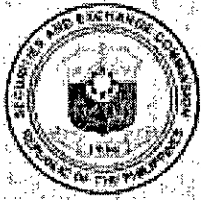




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SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
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Company Information

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Company Name GLOBAL-ESTATE RESORTS, INC.
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 111132013000934
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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)

6 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)

LAILANI V. VILLANUEVA

Contact Person

625-2568

Company Telephone Number

1 2

Month

3 1

Day

fiscal year

SEC Form 17-Q

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) 625-2568

(Tel. No.)

December 31, 2013

(Calendar Year Ending)

SEC FORM 17-Q (3rd QUARTER)

(Form Type)

September 30, 2013

(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: **September 30, 2013**
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) 625-2568

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

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA
Number of shares of common stock outstanding
and amount of debt outstanding

Title of each class

Common stock

10,986,000,000

Loans payable

₱ -

Bonds payable

₱ -

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

Yes No

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

Philippine Stock Exchange (PSE)

Common stock

.....
12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to attached Annex A-1 for the Consolidated Statements of Financial Position as of September 30, 2013 and December 31, 2012; Annex A-2 for the Consolidated Statements of Comprehensive Income for the period ended September 30, 2013 and September 30, 2012; Annex A-3 for Consolidated Statements of Changes in Stockholders' Equity for the nine-month period ended September 30, 2013 and September 30, 2012; Annex A-4 for the Consolidated Statements of Cash Flows for the nine-month period ended September 30, 2013 and September 30, 2012 and Annex A-5 for the Aging of Receivables for the 3rd Quarter ended September 30, 2013.

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

Refer to attached Analysis of Operations.

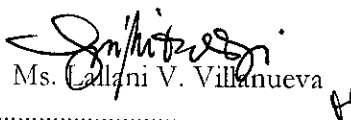
PART II--OTHER INFORMATION

Not Applicable.

SIGNATURES

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

Principal Financial/Accounting Officer/
Controller/Authorized Representative:


Ms. Calani V. Villanueva

.....
Title : Chief Financial Officer

Signature :

.....
Date :

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 3rd QUARTER ENDED September 30, 2013

REVIEW OF RESULTS OF OPERATIONS

Consolidated revenues for the nine-month period ended September 30, 2013 amounted to ₱ 1.3 billion with an increase of 17.3% compared to ₱ 1.1 billion in September 30, 2012. The Company's real estate sale of ₱ 706.2 million came mainly from sale of lots in Newcoast Shophouse District, Newcoast Boutique Hotel and Newcoast Village in Boracay, Sta. Barbara Heights in Ilo-Ilo City, and Twin Lakes Domaine Le Jardin in Laurel, Batangas. Income from rentals and golf course maintenance contracts amounted to ₱ 151.4 million. Realized gross profit on prior years' real estate sales amounted to ₱ 133.7 million. Hotel revenues as of September 30, 2013 amounted to ₱ 212.2 million, an increase of 186% from ₱ 74.2 million as of September 30, 2012 due to expansion of hotel operations in Boracay. Balance of revenues was contributed by interest and other income of ₱ 115.6 million.

Cost and expenses posted an increase of ₱ 154.8 million or 16.6% from ₱ 931.4 million in September 30, 2012 to ₱ 1.1 billion as of September 30, 2013 mainly due to cost of hotel operations and interest and other charges.

The company posted a ₱232.7 million Net Income or 20.6% increase for the nine-month period ended September 30, 2013, as compared to a ₱193 million net income realized as of September 30, 2012, mainly due to increase in real estate sales and hotel revenue.

As a result, Earnings per share increased to ₱0.0257 from the previous year's level of ₱0.0251.

Major Movements of Income Statement Accounts are as follows:

- 26% Increase in Real Estate Sales - mainly due to increase in sales generated from new projects.
- 45% Decrease in Realized gross profit on prior years' real estate sales – due to majority of the deferred income from old projects were realized in 2012.
- 17% Increase in Service and Rental – mainly due to increase in rental income
- 186% Increase in Hotel Operations – due to expansion of hotel operations
- 6% Decrease in Cost of Real Estate Sales - due to majority of the sales realized for the period came from sale of lots.
- 27% Increase in Deferred Gross Profit on Real Estate Sales– mainly due to sales realized for the period came from newly launched projects.
- 50% Increase in Cost of Hotel Operations – mainly due to increase in hotel revenue.
- 17% Decrease in Cost of Services – mainly due to decrease in service revenue.

- 27% Increase in Operating Expenses – mainly due to increase in marketing and other administrative expenses.
- 82% Increase in Interest and other charges – mainly due to interest accrued for redeemable preferred shares
- 53% Increase in Income Tax expense – due to increase in taxable income

REVIEW OF FINANCIAL CONDITION

The Group's financial position remained stable. Total assets as of September 30, 2013, Php31.4 billion compared to Php24.6 billion as of December 31, 2012, posted an increase of Php6.8 billion or 28%.

Cash and cash equivalents increased by 1,128% due to subscription of Megaworld Corporation from the increase in capital, from Php466 million in December 2012 to Php5.7 billion in September 2013. Trade and other receivables increased by 27% due to the increase in installment sales booked for the period, from Php1.99 billion in December 2012 to Php2.5 billion in September 2013. Real estate and resort shares for sale increased by 10% from Php7.8 billion in December 2012 to Php8.6 billion in September 2013 due to increase in percentage of completion of on-going projects. Property Development Cost increased by 12% due to development of on-going projects. Prepayments and other assets increased by 6% from Php1.0 billion in December 2012 to Php1.1 billion in September 2013 mainly due to payment of prepaid taxes. Property and equipment increased by 15% from Php661.8 million in December 2012 to Php758.6 million in September 2013 mainly due to additional building for hotel operations.

Customer's deposit increased from Php549.7 million in December 2012 to Php1.03 billion in September 2013, the 88% increase is due to increase in collection from reservation sales for the period. Reserve for property development cost increased by 12.5% due to increase in accrual of development cost for the period. Deferred Income on real estate sales increased by 8.2% due to deferred gross profit from sales recognized for the period. Advances from related parties decreased by 8% due to payments made to related parties. Due to joint venture partners increased by 7% due to additional advances. Deferred Tax Liability also increased from Php125.2 million in December 2012 to Php149.4 million in September 2013. The 19% increase is due to increase in taxable temporary difference. Other non-current liabilities increased by 120% from Php180.4 million in December 2012 to Php396.7 million in September 2013 mainly due to non-current portion of customer's deposit from reservation sales for the period.

Shareholders' Equity increased by 34% from Php17.6 billion in December 2012 to Php23.6 billion in September 2013 mainly due to subscription of Megaworld Corporation from the increase in capital.

Major movements of Balance Sheet Accounts are as follows:

- 1,128% Increase in Cash and cash equivalent – due to subscription of Megaworld Corporation from the increase in capital.
- 27% Increase in Trade and other receivables – due to increase in installment sales booked during the period.
- 10% Increase in Real estate and resorts share for sale – due to increase in percentage of completion of on-going projects.
- 12% Increase in Property development cost – due to increase in development of new projects.
- 6% Increase in Prepayments and other assets – mainly due to payment of prepaid taxes.
- 15% Increase in Property and equipment – due to additional building for hotel operations.
- 88% Increase in Customer's deposit – due to increase in collection from reservation sales for the period.
- 12% Increase in Reserve for Property Development Cost – due to increase in accrual of development cost for the period.
- 8% Increase in Deferred Income – due to deferred gross profit from real estate sales recognized for the period.
- 8% Decrease in Advances from Related Parties – due to payment of advances.
- 7% Increase in Due to joint venture partners – due to additional advances from joint venture partners.
- 19% Increase in Deferred Tax Liability – due to increase in taxable temporary difference.
- 120% Increase in Other non-current liability – mainly due to non-current portion of customer's deposit from reservation sales for the period.
- 34% Increase in equity – mainly due to subscription of Megaworld Corporation from the increase in capital.

KEY PERFORMANCE INDICATORS

LIQUIDITY RATIOS

| | September 30, 2013 | December 31, 2012 |
|---------------|--------------------|-------------------|
| Current Ratio | 4.40 | 3.33 |
| Quick Ratio | 1.57 | 0.40 |

Current Ratio (Current Assets/Current Liabilities)

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

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

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

LEVERAGE OR LONG-RANGE SOLVENCY RATIOS

| | September 30, 2013 | December 31, 2012 |
|------------------------|--------------------|-------------------|
| Debt to Total Assets | 25% | 29% |
| Equity to Total Assets | 75% | 71% |
| Debt to Equity | 33% | 40% |
| Asset To Equity | 1.33 | 1.40 |

Debt to Total Assets

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

Equity to Total Assets

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

Debt to Equity

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

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

It measures the company's leverage.

PROFITABILITY RATIOS

| | September 30, 2013 | September 30, 2012 |
|--------------------|--------------------|--------------------|
| Return on Equity | 1.15% | 1.11% |
| Return on Assets | 0.73% | 0.84% |
| Earnings per Share | ₱ 0.0257 | ₱ 0.0251 |

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

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

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

ACTIVITY RATIOS

| | September 30, 2013 | September 30, 2012 |
|----------------|--------------------|--------------------|
| Asset Turnover | 2.25% | 2.45% |

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

OTHERS

As of the 3rd quarter ended September 30, 2013, 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 3rd QUARTER ENDED September 30, 2013

1. GENERAL INFORMATION

1.1 Corporate Information

Global-Estate Resorts, Inc. (the Company or GERI) was incorporated in the Philippines on May 08, 1994, primarily to engage in the horizontal development of residential subdivision lots, integrated residential, golf and other leisure-related properties. The Company also engages in land acquisitions and maintains an inventory or raw land for future development.

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

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.

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

| Subsidiaries/Associates | Explanatory Notes | Percentage of Ownership | |
|--|-------------------|-------------------------|-------------------|
| | | September 30, 2013 | December 31, 2012 |
| Subsidiaries: | | | |
| Fil-Estate Properties, Inc. (FIEPI) | | 100% | 100% |
| Aklan Holdings Inc. (AHI) | (a) | 100% | 100% |
| Blu Sky Airways, Inc. (BSAI) | (a) | 100% | 100% |
| Fil-Estate Subic Development Corp. (FESDC) | (a) | 100% | 100% |
| Fil-Power Construction Equipment | | | |
| Leasing Corp. (FPCIELC) | (a) | 100% | 100% |
| Golden Sun Airways, Inc. (GSAI) | (a) | 100% | 100% |
| La Compañia De Sta. Barbara, Inc. (LCSBI) | (a) | 100% | 100% |
| MCX Corporation (MCX) | (a) | 100% | 100% |
| Pioneer L-5 Realty Corp. (PLRC) | (a) | 100% | 100% |
| Prime Airways, Inc. (PAI) | (a) | 100% | 100% |
| Sto. Domingo Place Development Corp. (SDPDC) | (a) | 100% | 100% |
| Fil-Power Concrete Blocks Corp. (FPCBC) | (a) | 100% | 100% |
| Boracay Newcoast Hotel Group, Inc. (BNHGI) | (a) | 96% | 100% |
| Fil-Estate Industrial Park, Inc. (FEIPI) | (a) | 79% | 79% |
| Sherwood Hills Development Inc. (SHDI) | (a) | 55% | 55% |

| Subsidiaries/Associates | Explanatory Notes | Percentage of Ownership | |
|--|-------------------|-------------------------|-------------------|
| | | September 30, 2013 | December 31, 2012 |
| Subsidiaries: | | | |
| Fil-Estate Golf and Development, Inc. (FEGDI) | | 100% | 100% |
| Golforce, Inc. (Golforce) | (b) | 100% | 100% |
| Fil-Estate Ecozentrum Corp. (FEEC) | (b) | 56% | 56% |
| Philippine Aquatic Leisure Corp. (PALC) | (c) | 56% | 56% |
| Fil-Estate Urban Development Corp. (FEUDC) | | 100% | 100% |
| Novo Sierra Holdings Corp. (NSHC) | | 100% | 100% |
| Megaworld Global Estates, Inc. (MGEI) | | 60% | 60% |
| Twin Lakes Corp. (TLC) | | 50% | 50% |
| Oceanfront Properties, Inc. (OPI) | | 50% | 50% |
| Associates: | | | |
| Fil-Estate Network, Inc. (FENI) | | 20% | 20% |
| Fil-Estate Sales, Inc. (FESI) | | 20% | 20% |
| Fil-Estate Realty and Sales Associates Inc. (FERSAI) | | 20% | 20% |
| Fil-Estate Realty Corp. (FERC) | | 20% | 20% |
| Nasugbu Properties, Inc. (NPI) | | 14% | 14% |

Non-controlling interests (NCI) in 2013 and 2012 represent the interests not held by the Group in FEPI, SHDI, FEEC, PALC, MGEI, TLC and PALC.

Explanatory notes:

- a.) Subsidiaries of FEPI; percentage ownership represents effective ownership of GERI.
- b.) Subsidiaries of FEGDI; percentage ownership represents effective ownership of GERI.
- c.) Subsidiary of FEEC.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial statements

(a) *Statement of Compliance with Philippine Financial Reporting Standards*

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

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

(b) *Presentation of Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expense in a single consolidated statement of comprehensive income. Two comparative periods are presented for the consolidated statement of financial position when the Group applies an accounting policy retrospectively or makes a retrospective restatement of items in its consolidated financial statements, or reclassifies items in the consolidated financial statements.

(c) *Functional and Presentation Currency*

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

Items included in the consolidated financial statements of the Group are measured using the Group's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) *Effective in 2012 that is Relevant to the Group*

In 2012, the Group adopted the following amendments to PFRS that are relevant to the Group and effective for financial statements for the annual period beginning on or after July 1, 2011 or January 1, 2012:

| | |
|--------------------------------------|-------------------------------|
| | PFRS 7 (Amendment): |
| Financial Instruments: Disclosures – | |
| Transfers of Financial Assets | |
| | PAS 12 (Amendment): |
| Income Taxes – Deferred Taxes: | |
| | Recovery of Underlying Assets |

Discussed below are the relevant information about these amended standards.

- (i) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Transfers of Financial Assets*. The amendment requires additional disclosures that will allow users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and, to evaluate the nature of, and risk associated with any continuing involvement of the reporting

entity in financial assets that are derecognized in their entirety. The Group did not transfer any financial asset involving this type of arrangement; hence, the amendment did not result in any significant change in the Group's disclosures in its consolidated financial statements.

- (ii) PAS 12 (Amendment), *Income Taxes – Deferred Tax: Recovery of Underlying Assets*. The amendment introduces a rebuttable presumption that the measurement of a deferred tax liability or asset that arises from investment property measured at fair value under PAS 40, *Investment Property*, should reflect the tax consequence of recovering the carrying amount of the asset entirely through sale. The presumption is rebutted for depreciable investment property (e.g., building) that is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the asset over time, rather than through sale. Moreover, Standing Interpretation Committee (SIC) 21, *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, is accordingly withdrawn and is incorporated under PAS 12 requiring that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, should always be measured on a sale basis of the asset. The amendment became effective for annual periods beginning on or after January 1, 2012 but has no significant impact on the Group's consolidated financial statements as its investment property only includes several properties measured at cost.

(b) *Effective in 2012 that is not Relevant to the Group*

PFRS 1, *First-time Adoption of PFRS*, was amended to provide relief for first-time adopters of PFRS from having to reconstruct transactions that occurred before the date of transition to PFRS and to provide guidance for entities emerging from severe hyperinflation either to resume presenting PFRS financial statements or to present PFRS financial statements for the first time. The amendment became effective for annual periods beginning on or after July 1, 2011 but is not relevant to the Group's consolidated financial statements.

(c) *Effective Subsequent to 2012 but not Adopted Early*

There are new PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2012. Management has initially determined the following pronouncements, which the Group will apply in accordance with their transitional provisions, to be relevant to its financial statements:

- (i) PAS 1 (Amendment), *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss; and, (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Group's management expects that this amendment will change the current presentation of items in other comprehensive income [i.e., unrealized fair value gains and losses on available-for-sale (AFS) financial assets].

(ii) PAS 19 (Amendment), *Employee Benefits* (effective from January 1, 2013). The amendment made a number of changes as part of the improvements throughout the standard. The main changes relate to defined benefit plans as follows:

- eliminates the corridor approach under the existing guidance of PAS 19 and requires an entity to recognize all gains and losses arising in the reporting period;
- streamlines the presentation of changes in plan assets and liabilities resulting in the disaggregation of changes into three main components of service costs, net interest on net defined benefit obligation or asset, and remeasurement; and,
- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

(iii) Consolidation Standards

The Group is currently reviewing the impact on its consolidated financial statements of the following consolidation standards which will be effective from January 1, 2013:

- PFRS 10, *Consolidated Financial Statements*. This standard builds on existing principles of consolidation by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard also provides additional guidance to assist in determining control where this is difficult to assess.
- PFRS 11, *Joint Arrangements*. This standard provides a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. This standard replaces the three categories under PAS 31, *Interests in Joint Ventures*, mainly, jointly controlled entities, jointly controlled operations and jointly controlled assets, with two new categories – joint operations and joint ventures. Moreover, this also eliminates the option of using proportionate consolidation for joint ventures.
- PFRS 12, *Disclosure of Interest in Other Entities*. This standard integrates and makes consistent the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and unconsolidated structured entities. This also introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.
- PAS 27 (Amendment), *Separate Financial Statements*. This revised standard now covers the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have

been transferred and included in PFRS 10. No new major changes relating to separate financial statements have been introduced as a result of the revision.

- PAS 28 (Amendment), *Investments in Associate and Joint Venture*. This revised standard includes the requirements for joint ventures, as well as associates, to be accounted for using equity method following the issuance of PFRS 11.

Subsequent to the issuance of the foregoing consolidation standards, the IASB made some changes to the transitional provisions in International Financial Reporting Standard (IFRS) 10, IFRS 11 and IFRS 12, which were also adopted by the FRSC. The guidance confirms that an entity is not required to apply PFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also made changes to PFRS 10 and PFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides relief by removing the requirement to present comparatives for disclosures relating to unconsolidated structured entities for any period before the first annual period for which PFRS 12 is applied.

- (iv) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32, and amounts related to a financial collateral. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's financial position. The Group does not expect this amendment to have a significant impact on its consolidated financial statements.
- (v) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The Group is yet to assess the impact of this new standard.
- (vi) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties.

The amendment also clarifies the principle behind net settlement and includes an example of a gross settlement system with characteristics that would satisfy the criterion for net settlement. The Group does not expect this amendment to have a significant impact on its consolidated financial statements.

- (vii) PFRS 9, *Financial Instruments: Clarification and Measurement* (effective from January 1, 2015). This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. This chapter deals with two measurement categories for financial assets: amortized cost and fair value. All equity instruments will be measured at fair value while debt instruments will be measured at amortized cost only if the entity is holding it to collect contractual cash flows which represent payment of principal and interest. The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangement, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

To date, other chapters of PFRS 9 dealing with impairment methodology and hedge accounting are still being completed.

Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address certain application issues.

The Group does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. In addition, management is currently assessing the impact of PFRS 9 on the Group's consolidated financial statements and is committed to conduct a comprehensive study of the potential impact of this standard in the last quarter of 2014 before its adoption in 2015 to assess the impact of all changes.

- (viii) Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*. This Philippine interpretation is based on IFRIC interpretation issued by the IASB in July 2008 effective for annual periods beginning on or after January 1, 2009. The adoption of this interpretation in the Philippines, however, was deferred by the FRSC and Philippine SEC after giving due considerations on various application issues and the implication on this interpretation of the IASB's on-going revision of the Revenue Recognition standard. This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*,

and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage of completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at completion upon or after delivery. The Group is currently evaluating the impact of this interpretation on its consolidated financial statements in preparation for its adoption when this becomes mandatorily effective in the Philippines.

(ix) 2009-2011 Annual Improvements to PFRS. Annual improvements to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after January 1, 2013. Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's consolidated financial statements:

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies the requirements for presenting comparative information for the following:

- Requirements for opening statement of financial position

If an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period (i.e., opening statement of financial position), it shall present such third statement of financial position.

Other than disclosure of certain specified information in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- Requirements for additional comparative information beyond minimum requirements

If an entity presented comparative information in the financial statements beyond the minimum comparative information requirements, the additional financial statements information should be presented in accordance with PFRS including disclosure of comparative information in the related notes for that additional information. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

(b) PAS 16 (Amendment), *Property, Plant and Equipment – Classification of Servicing Equipment*. The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and

servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory.

- (c) PAS 32 (Amendment), *Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments*. The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity.

2.3 Basis of Consolidation

The Company obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. In addition, shares of stock of the Company, if any, held by the subsidiaries are recognized as treasury stock and these are presented as deduction in the consolidated statement of changes in equity. Any changes in the market values of such shares as recognized separately by the subsidiaries are likewise eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

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

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

(a) Investments in Subsidiaries

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date the Group obtains control, direct or indirect, until such time that such control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any NCI in the acquiree. The consideration transferred for the acquisition of a subsidiary is

the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

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

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recognized as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss as gain.

(b) Investments in Associates

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

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associates is included in the amount recognized as investment in associates. All subsequent changes to the share of interest in the equity of the associate are recognized in the carrying amount of the Group's investment. Changes resulting from the profit or loss generated by the associate are shown as Equity Share in Net Profits Losses of Associates in the Group's consolidated statement of comprehensive income and therefore affect the net results of operations of the Group. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of the associate's assets and liabilities.

Changes resulting from other comprehensive income of the associates or items that have been directly recognized in the associate's equity, for example, resulting from the associate's accounting for AFS financial assets, are recognized in consolidated other comprehensive income or equity of the Group, as applicable. Any non-income related equity movements of the associate that arise, for example, from the distribution of dividends or other transactions with the associate's shareholders, are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognized in the course of these transactions. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments in behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits

only after its share of the profits exceeded the accumulated share of losses that has previously not been recognized.

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

(c) Interests in Jointly Controlled Operations

For interest in jointly controlled operations, the Group recognizes in its consolidated financial statements its share of the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. No adjustment or other consolidation procedures are required since the assets, liabilities, income and expenses of the joint venture are recognized in the separate financial statements of the venturers.

(d) Transactions with NCI

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

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

2.4 Financial Assets

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

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus

any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

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

(a) *Loans and Receivables*

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

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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

(b) *AFS Financial Assets*

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

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Unrealized Losses on AFS Financial Assets account in equity. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income.

Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the

reversal can be objectively related to an event occurring after the impairment loss was recognized.

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

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

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

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred.

2.5 Real Estate Transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to the Land for Future Development account. These costs are reclassified to Property Development Costs account when the development of the property starts. Related property development costs are then accumulated in this account. Borrowing costs on certain loans, if any, incurred during the development of the real estate properties are also capitalized by the Group as part of Property Development Costs.

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

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

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

charged to operations during the period in which the loss is determined.

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

2.6 Prepayments and Other Assets

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

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

2.7 Property and Equipment

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

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

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

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

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

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

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

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

2.8 Investment Property

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

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

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

| | |
|--|--------------------|
| <u>Land development and improvements</u> | <u>20 years</u> |
| <u>Building and improvements</u> | <u>10-50 years</u> |

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

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

An item of investment property is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

2.9 Financial Liabilities

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

Financial liabilities are recognized initially at their fair values and subsequently measured at amortized cost less settlement payments.

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

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD. The dividends on the redeemable preferred shares of a

subsidiary are recognized in the consolidated statement of comprehensive income as interest expense on an amortized cost basis using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.10 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting .

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

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

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

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

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

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

2.11 Segment Reporting

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

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

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

The measurement policies the Group uses for segment reporting is the same as those used in its consolidated financial statements. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

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

2.12 Provisions and Contingencies

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

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

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

2.13 Offsetting of Financial Instruments

Financial assets and liabilities, particularly advances to and from related parties, are set-off and the resulting net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.14 Revenue and Expense Recognition

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

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

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

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

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

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

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

- (b) *Maintenance income* – Revenue is recognized when performance of mutually agreed tasks has been rendered.

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

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

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

2.15 Operating Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

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

(b) Group as Lessor

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

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

2.16 Foreign Currency Transactions and Translation

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

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

2.17 Impairment of Non-financial Assets

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

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

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of impairment loss.

2.18 Employee Benefits

(a) Defined Benefit Plan

The Group has an unfunded, non-contributory defined benefit plan covering all regular employees.

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

The liability recognized in the consolidated statement of financial position for defined benefit post-employment plans is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, together with

adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates derived from the interest rates of a zero coupon government bonds as published by the Philippine Dealing and Exchange Corporation that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Actuarial gains and losses are not recognized as an income or expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past-service costs are recognized immediately in profit or loss, unless the changes to the post-employment plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

(b) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(c) Compensated Absences

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

2.19 Share-based Employee Remuneration

The Company grants share options to key executive officers eligible under a stock option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in profit or loss and the corresponding share option is presented as Share Options Outstanding account in the equity section of the consolidated statement of financial position.

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

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

2.20 Borrowing Costs

For financial reporting purposes, borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete. For income tax purposes, interest and other borrowing costs are charged to expense as incurred.

2.21 Related Party Relationships and Transactions

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

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

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

2.22 Equity

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

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

Share options outstanding represents the corresponding credit upon recognition of share-based remuneration expense in profit or loss.

Unrealized losses on AFS financial assets represent losses recognized due to changes in fair values of these assets.

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

2.23 Basic and Diluted Earnings Per Share

Basic earnings per share is determined by dividing the consolidated net profit by the weighted average number of common shares subscribed and issued during the year, after giving retroactive effect to any stock dividends, stock split or reverse stock split declared in the current year.

Diluted earnings per share is computed in the same manner as the basic earnings per share and assuming further that at the beginning of the year or at the time of issuance during the year, all outstanding convertible instruments were converted to common stock and the conversion would result to a decrease in the basic earnings per share or increase in the basic loss per share.

2.24 Income Taxes

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

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

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses

and unused tax credits to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized.

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

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity, respectively.

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

2.25 Events After the Reporting Period

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

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

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

The Group determines whether an asset qualifies as an item of investment property, owner-occupied property or land for future development. In making its judgment, the

Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the operations of the Group or for administrative purposes while Land for Future Development are properties intended solely for future development.

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

(b) Distinction between Operating and Finance Leases

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

(c) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies.

3.2 Key Sources of Estimation Uncertainty

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

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

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

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

(b) Fair Value of Stock Option

The Company estimates the fair value of the executive stock option by applying an option valuation model, taking into account the terms and conditions on which the executive stock option were granted.

The fair value of the executive stock option recognized as part of salaries and employee benefits shown under Operating Expenses in the consolidated statement of comprehensive income. A corresponding credit to Share Options Outstanding of the same amount is presented in the equity portion of the consolidated statement of financial position.

(c) Fair Value of Measurement of Investment Property

Investment Property are measured using the cost model. The fair value disclosed in Note 11 to the consolidated financial statements is estimated by the Group using the fair value of similar properties in the same location and condition. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

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

The Group estimates the useful lives of investment property and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of investment property and property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) Impairment of Trade and Other Receivables

Adequate amount of allowance is made and provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience.

(f) Determining the Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at September 30, 2013 and December 31, 2012 will be fully utilized within the next two to three years.

(g) *Impairment of Non-financial Assets*

PFRS requires that an impairment review be performed when certain impairment indicators are present. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(h) *Valuation of Post-employment Benefit*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rate of return on plan assets, salary rate increase, and employee turnover. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

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

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

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

The following table present revenue and income information for the 3rd quarter ended September 30, 2013 and 2012.

September 30, 2013

(Amount in thousands)

| | Sales of Real Estate | Service and Rental | Total |
|------------------------------|----------------------|--------------------|-----------------|
| Revenue | ₱706,188 | ₱151,407 | ₱857,595 |
| Cost of sales and services | 289,152 | 65,373 | 354,525 |
| Gross profit | 417,036 | 86,034 | 503,070 |
| Realized gross profit – net | 133,672 | - | 133,672 |
| Realized gross profit | ₱550,708 | ₱86,034 | ₱636,742 |

September 30, 2012

(Amount in thousands)

| | Sales of Real Estate | Service and Rental | Total |
|------------------------------|-------------------------|-----------------------|-----------------|
| Revenue | ₱561,480 | ₱129,110 | ₱690,590 |
| Cost of sales and services | 306,819 | 79,025 | 385,844 |
| Gross profit | 254,661 | 50,085 | 304,746 |
| Realized gross profit – net | 242,813 | - | 242,813 |
| Realized gross profit | ₱497,474 | ₱50,085 | ₱547,559 |

5. 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.

6. 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.

7. 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.

8. 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.

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

There have been no events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.

10. 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.

11. Dividends paid separately for ordinary shares and other shares

Not applicable.

12. Seasonality or cyclicity of interim operations

Not applicable

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

Not applicable

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

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

RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Credit Risk

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

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

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

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

Liquidity Risk

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

Foreign Exchange Risk

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

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

CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

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

(Figures in thousands)

| | <u>September 2013</u> | <u>December 2012</u> |
|----------------------|-----------------------|----------------------|
| Total Liabilities | P 7,881,197 | P 7,025,254 |
| Total Equity | <u>23,556,357</u> | <u>17,592,403</u> |
| Debt-to-equity ratio | <u>0.33:1</u> | <u>0.40:1</u> |

CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

Figures in thousands

| | <u>September 30, 2013</u> | | <u>December 31, 2012</u> | |
|---|----------------------------|------------------------|----------------------------|------------------------|
| | <u>Carrying Values</u> | <u>Fair Values</u> | <u>Carrying Values</u> | <u>Fair Values</u> |
| <i>Financial assets</i> | | | | |
| Loans and receivables: | | | | |
| Cash and cash equivalents | P 5,723,913 | P 5,723,913 | P 466,230 | P 466,230 |
| Trade and other receivables - net | 2,514,797 | 2,514,797 | 1,986,921 | 1,986,921 |
| Advances to related parties | <u>953,948</u> | <u>953,948</u> | <u>930,172</u> | <u>930,172</u> |
| | 9,192,658 | 9,192,658 | 3,383,323 | 3,383,323 |
| AFS financial assets | <u>1,250</u> | <u>1,250</u> | <u>1,250</u> | <u>1,250</u> |
| | <u>P 9,193,908</u> | <u>P 9,193,908</u> | <u>P 3,384,573</u> | <u>P 3,384,573</u> |
| | | | | |
| | <u>September 30, 2013</u> | | <u>December 31, 2012</u> | |
| | <u>Carrying Values</u> | <u>Fair Values</u> | <u>Carrying Values</u> | <u>Fair Values</u> |
| <i>Financial liabilities</i> | | | | |
| Financial liabilities at amortized cost: | | | | |
| Trade and other payables | P 2,049,243 | P 2,049,243 | P 2,006,419 | P 2,006,419 |
| Advances from related parties | 958,097 | 958,097 | 1,045,854 | 1,045,854 |
| Due to joint venture partners | 228,657 | 228,657 | 214,397 | 214,397 |
| Redeemable preferred shares | 1,257,988 | 1,257,988 | 1,257,988 | 1,257,988 |
| Accrued interest on preferred shares | <u>34,071</u> | <u>34,071</u> | <u>10,483</u> | <u>10,483</u> |
| | <u>P 4,528,056</u> | <u>P 4,528,056</u> | <u>P 4,535,141</u> | <u>P 4,535,141</u> |

See notes to financial statements 2.4 and 2.9 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in page 38.

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

GLOBAL-ESTATE RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPT. 30, 2013
(Amount in Thousands)

Annex A-1

| | Unaudited Sep-13 | Audited December 2012 |
|---|---------------------|--------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash equivalents | 5,723,913 | 466,230 |
| Trade and other receivables - net | 1,282,620 | 1,127,461 |
| Advances to related parties | 953,948 | 930,172 |
| Real estate, golf and resort shares for sale-net | 8,562,981 | 7,802,354 |
| Property Development Costs | 2,186,391 | 1,943,663 |
| Prepayments and other current assets | 963,598 | 909,001 |
| Total Current Assets | 19,673,451 | 13,178,881 |
| NON-CURRENT ASSETS | | |
| Trade and other receivables - net | 1,232,177 | 859,460 |
| Advances to real estate property owners | 1,091,397 | 1,066,413 |
| Land for future development | 7,470,151 | 7,644,655 |
| Investment in associates | 736,139 | 740,852 |
| Investment Properties - net | 363,321 | 359,864 |
| Property and equipment - net | 758,555 | 661,783 |
| Other non-current assets | 112,364 | 105,749 |
| Total Non-current Assets | 11,764,104 | 11,438,776 |
| TOTAL ASSETS | 31,437,555 | 24,617,657 |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES | | |
| Trade and other payables | 2,049,243 | 2,006,419 |
| Customer's deposit | 1,034,791 | 549,694 |
| Advances from related parties | 958,097 | 1,045,854 |
| Reserve for property development | 93,628 | 50,525 |
| Deferred income on real estate sales | 332,755 | 305,237 |
| Total Current Liabilities | 4,468,514 | 3,957,729 |
| NON-CURRENT LIABILITIES | | |
| Due to joint venture partners | 228,657 | 214,397 |
| Redeemable preferred shares | 1,257,988 | 1,257,988 |
| Reserve for property development | 720,684 | 673,397 |
| Deferred income on real estate sales | 596,161 | 553,162 |
| Deferred tax liabilities-net | 149,447 | 125,180 |
| Retirement benefit obligation | 63,018 | 63,018 |
| Other non-current liabilities | 396,729 | 180,383 |
| Total Non-current Liabilities | 3,412,684 | 3,067,525 |
| Total Liabilities | 7,881,198 | 7,025,254 |
| EQUITY | | |
| Equity attributable to parent company's shareholder | 19,989,465 | 14,089,008 |
| Non-controlling interest | 3,566,892 | 3,503,395 |
| Total Equity | 23,556,357 | 17,592,403 |
| TOTAL LIABILITIES AND EQUITY | 31,437,555 | 24,617,657 |

GLOBAL-ESTATE RESORT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 3Q2013 VS. 3Q2012

Annex A-2

(Amount in Thousands)

| | Unaudited 3Q 2013 | | Unaudited 3Q 2012 | |
|---|-------------------|------------------|-------------------|------------------|
| | July-Sept | January - Sept | July-Sept | January - Sept |
| REVENUES | | | | |
| Real Estate Sales | 190,594 | 706,188 | 134,521 | 561,480 |
| Realized gross profit on prior years' real estate sales | 75,702 | 133,672 | 94,894 | 242,813 |
| Service and rental income | 56,022 | 151,407 | 30,679 | 129,110 |
| Hotel Operations | 84,645 | 212,170 | 19,596 | 74,231 |
| Equity in net earnings (losses) of associates, interest and other income | 9,488 | 115,568 | 39,729 | 116,802 |
| | <u>416,451</u> | <u>1,319,005</u> | <u>319,419</u> | <u>1,124,436</u> |
| COST AND EXPENSES | | | | |
| Cost of real estate sales | 78,963 | 289,152 | 76,543 | 306,819 |
| Deferred gross profit on real estate sales | 30,252 | 217,263 | 39,220 | 171,518 |
| Cost of hotel operations | 25,790 | 63,267 | 26,226 | 42,181 |
| Cost of services | 22,059 | 65,373 | 21,684 | 79,025 |
| Operating expenses | 134,268 | 318,646 | 72,460 | 250,996 |
| Interest and other charges | 20,205 | 56,276 | 5,740 | 30,987 |
| Income tax expense | 20,026 | 76,290 | 2,204 | 49,909 |
| | <u>331,563</u> | <u>1,086,267</u> | <u>244,077</u> | <u>931,435</u> |
| Net Profit (Loss) | 84,888 | 232,738 | 75,342 | 193,001 |
| Other Comprehensive Loss | | | | |
| Revaluation reserve | | (2,132) | | (2,132) |
| Total Comprehensive Income (Loss) | 84,888 | 230,606 | 75,342 | 190,869 |
| Net profit (loss) attributable to: | | | | |
| Parent Company's shareholder | 90,551 | 229,115 | 90,725 | 211,322 |
| Non-controlling interest | (5,663) | 3,623 | (15,383) | (18,321) |
| | <u>84,888</u> | <u>232,738</u> | <u>75,342</u> | <u>193,001</u> |
| Total Comprehensive Income(loss) attributable to: | | | | |
| Parent Company's shareholders | 90,551 | 226,983 | 90,725 | 209,190 |
| Non-controlling interest | (5,663) | 3,623 | (15,383) | (18,321) |
| | <u>84,888</u> | <u>230,606</u> | <u>75,342</u> | <u>190,869</u> |
| Earnings per share | <u>0.0102</u> | <u>0.0257</u> | <u>0.0107</u> | <u>0.0251</u> |

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

(Amount in Thousands)

Annex A -3

| | 3rd quarter 2013 | 3rd quarter 2012 |
|---|--------------------------|--------------------------|
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY | | |
| CAPITAL STOCK | 10,986,000 | 8,486,000 |
| ADDITIONAL PAID IN CAPITAL | 4,747,739 | 1,597,739 |
| SHARE OPTION OUTSTANDING | 60,889 | |
| REVALUATION RESERVE | (2,132) | (2,132) |
| RETAINED EARNINGS | 4,196,969 | 3,884,317 |
| | <u>19,989,465</u> | <u>13,965,924</u> |
| MINORITY INTEREST | <u>3,566,892</u> | <u>3,483,542</u> |
| TOTAL STOCKHOLDERS' EQUITY | <u><u>23,556,357</u></u> | <u><u>17,449,466</u></u> |

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

(Amounts in Thousands)

Annex A-4

| | Sep-13 | Sep-12 |
|--|-------------------------|-----------------------|
| Net Income before tax | 309,028 | 242,910 |
| Add(less) | | |
| Interest expense | 27,786 | 13,784 |
| Amortization of deferred interest | 28,034 | 17,203 |
| Depreciation and amortization | 24,567 | 18,459 |
| Interest income | (25,492) | (24,723) |
| Equity in net earnings (loss) of associates and joint venture | 4,713 | 3,481 |
| Operating Income(loss) before working capital changes | <u>368,636</u> | <u>271,114</u> |
| Net Changes in Operating Assets and Liabilities | | |
| Decrease(Increase) current and non current asset | (1,294,306) | (1,263,995) |
| (Decrease)Increase current and non current liabilities | 849,354 | 692,267 |
| Cash paid for income taxes | (52,023) | (24,279) |
| Cash from(used in) Operating Activities | <u>(128,339)</u> | <u>(324,893)</u> |
| Cash from(used in) Investing Activities | (176,221) | (762,457) |
| Cash from (used in) Financing Activities | <u>5,562,243</u> | <u>1,010,695</u> |
| Net Increase (decrease) in cash and cash equivalent | 5,257,683 | (76,655) |
| Cash and cash equivalent at the beginning of the year | 466,230 | 993,080 |
| Cash and cash equivalent at the end of the year | <u><u>5,723,913</u></u> | <u><u>916,425</u></u> |

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

AS OF SEPT. 30, 2013

(Amounts in Thousands)

Annex A-5

Aging of Accounts Receivable

| Type of receivables: | TOTAL | CURRENT/NOT YET DUE | 1 Month | 2-3 Months | 4-6 Months | 7 Months to 1 Year |
|---------------------------|-----------|------------------------|---------|------------|------------|-----------------------|
| a. Trade/Other Receivable | 2,514,797 | 2,259,180 | 128,210 | 76,441 | 48,961 | 2,005 |
| Net Receivable | 2,514,797 | | | | | |