COVER SHEET

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G L O B A L E Q U I T I E S , I N C .

(Company's Full Name)

2 F J a n n o v P l a z a 2 2 9 5 P a s o n g

T a m o E x t . M a k a t I C I t y

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

ARSENIO C. CABRERA, JR.

Contact Person

(6 3 2) 8 1 3 7 1 1 1

Company Telephone Number

1 2 | 3 1

Month ***Day***

Fiscal Year

SEC FORM 17-A

FORM TYPE

0 4 | 2 5

Month ***Day***

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

7 2 9

Total No. of Stocholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATIONS CODE AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the calendar year ended **December 31, 2005**

2. SEC Identification Number **41004** 3. BIR Tax Identification No. **000-000-718-626**

4. Exact name of issuer as specified in its charter **GLOBAL EQUITIES, INC.**

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

6. (SEC Use Only)
   Industry Classification Code:

7. **2295 Pasong Tamo Ext. Makati City**
   Address of principal office   Postal Code

8. **(632)-843-92-91**
   Issuer's telephone number, including area code

9. **NOT APPLICABLE**
   Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**1,961,637,701 shares**

11. Are any or all of these securities listed on Stock Exchange.
    Yes [**X**]   No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein
    Philippine Stock Exchange   Common stock

12. Check whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
    Yes [**X**]   No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes [**X**]   No [ ]

13. Aggregate market value of the voting shares held by non-affiliates: ₱ 82,565,313

DOCUMENTS INCORPORATED BY REFERENCE

A portion of the Company's 2005 Annual Report to Stockholders is hereto attached, incorporated by reference into Part II, Item 6 and item 7 of this report.

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

(a) Description of Business

The Company was incorporated as La Suerte Gold Mining Corporation on April 20, 1970 primarily to engage in the exploration, exploitation, and development of mineral resources, and to purchase, lease, and otherwise acquire mining claims and concessions anywhere in the Philippines, and to carry on the business of mining, extracting, smelting, treating, and otherwise producing and dealing in metals and minerals of all kinds including all its products and by-products.

On May 16, 1995, the stockholders approved the realignment of the Company's main business activities from that of a mining company to that of an investment holding company. In line with this, the stockholders approved the change in the Company's name from La Suerte Gold Mining Corporation to Global Equities, Inc. (GEI).

1. A) Business development

a) Adamson & Adamson, Inc. (AAI)

In 2005, AAI report sales turnover of about ₱25.9 Million compared to ₱ 29 Million in 2004 (In audited financial statements, AAI only reflects direct sale and commission arising from the sales turnover as other income amounting to ₱ 705 thousand compared to ₱ 5.69 Million in 2004. This is due to AAI's arrangement with a third party manufacturer who bears all financial risk and simply pays AAI commission).

b) Mt. Ridge Executive Resort & Corporate Center, Inc. (MRERCCI)

Construction works began in April 2005 in the Company's 16-hectare property in Tagaytay, with its joint venture partner Sta. Lucia Realty, Inc. as the lead proponent in the development. The extended wet season slowed down construction activities.

Regardless, Sta. Lucia's marketing arm Orchard Property Marketing Corporation remains confident that a good number of lots will be sold in 2006 hand in hand with the accelerated construction activities.

The Company believes that Sta. Lucia, being the premier subdivision developer in the country, has sufficient supply and resources for construction materials.

The project is intended to cater to the Class B and higher markets. Due to its competitive location and pricing the Company, together with Sta. Lucia, believe that there will be sufficient demand for the project.

The Company and Sta. Lucia do not expect any future government regulation that would materially affect the viability of the project. There is an existing private community within the estate where the project is part of.

The Company together with Sta. Lucia do not expect to encounter any major risk other than a slow down in market demand. The Company believes that Sta. Lucia has the financial resources and technical expertise to complete the development.

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c) Global Clark Assets Corporation (GCAC)

The Company is the lessee in an 87.3274 hectare area in the Clark Special Economic Zone. GCAC remains in pre-operating stage, although the Company continues to entertain possible outright sale and/or joint venture with third parties.

Just like in 2004, AAI continues its trading operation.

For 2003, the Company's manufacturing operation was shutdown and simplified into a trading operation of AAI brand products. AAI subcontracted the manufacture of its products to a local absorbent cotton operator.

For the calendar period 2002, the principal business activities of Global Equities, Inc. (GEI) remained in real estate development and manufacturing through its wholly owned subsidiary Adamson & Adamson, Inc. (AAI). Its manufacturing investment in AAI resulted in marginal performance with operating losses in 2002. The Company's inability to complete its new manufacturing facility due to lack of funding sources has limited the Company to focus in its existing 50-year old plant. While the Company is able to survive given the inherent inefficiencies of operating an old plant, the lack of fresh working capital to expand its marketing and distribution networks also limited the Company's growth.

With lack of funding sources, the Company's investment in real estate during 2002 remained idle, although the Company continued to pursue outright sale or joint venture opportunities.

1.B) The Company has no record of any bankruptcy, receivership or similar procedures.

1.C) There are no purchase of significant amount of assets that are not in the ordinary course of business.

2. Business of the Issuer:

(A) Description of Registrant

(i) Principal Product

As a holding company, it invests in and/or manages companies engaged in the manufacture of absorbent cotton, and personal care products and in the provision of specialized corporate facilities for end-users. It has substantial investment in the following companies:

Company	Percent of Holding	Activities
Adamson & Adamson, Inc. Incorporated in May 1954	99.99%	Pioneer and leader in the manufacture and distribution of high-quality absorbent cotton, personal, health and baby care products.
Mt. Ridge Executive Resort & Corporate Center, Inc. Incorporated on Aug. 27, 1996	70.00%	The Company to develop a premier vacation residential area within a Nature Park along Tagaytay Ridge in Laurel, Batangas.
Global Clark Assets Corp. Incorporated on May 20, 1996	100.00%	The Company is the lessee of a 86.54 hectare area within the Clark Special Economic Zone. GEI envisions to develop the area into a mixed use complex which will include, but shall not be limited to, Retirement Village, Residential Complex, Commercial Center and Light Industrial Park.
Sacobia Hills Development Corp. Incorporated on Jan 27, 1997	20.00%	The Company is the owner/developer of True North Golf and Country Club

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Majority of GEI's subsidiaries, as enumerated above, is in the pre-operating stage.

Principal products with 10% contribution to revenues:

In 2005, AAI accounted for 100% of the Company's revenues or ₱0.7 Million. Correspondingly, AAI accounted for a substantial portion of the Company's operating losses of ₱ 5.5 Million.

(ii) Percentage of sales/net income contributed by foreign sales

The Company has no revenues attributed to foreign markets.

Similar to 2004, the Company has no source of foreign revenues and no capital expenditures in its existing business activities.

With regards to compliance with environmental laws, and in light of the closure of its manufacturing operation in 2003, the Company is not subject to any regulatory compliance

(iii) The Company's major operating subsidiary is outlined below:

Adamson & Adamson, Inc.
AAI has one of the oldest and most established absorbent cotton brands in the country. Its principal absorbent cotton products are, namely: cotton rolls, balls, buds, and maternity pads. AAI subcontracts the manufacture of its products to a local third party operator. Prior to 2003, AAI manufactured its own products.

AAI distributes its products primarily on a non-exclusive basis through a network of regional distributors in the country. In addition, AAI distributes directly to Mercury Drug and the Shoemart groups.

(iv) Status of any publicly-announced new product or service, the degree to which product design has progressed or whether further engineering is necessary.

AAI has no provision to develop or produce any new products.

(v) Competitive Situation

The absorbent cotton industry in the Philippines is effectively dominated by four (4) brands, namely: *Cleene* of Philusa Corporation; *Care* of Care Products, Inc.; *Purity* of Kimberly-Clark; and *Adamson & Adamson* of AAI. The remaining minority balance is accounted for by smaller companies/importers with less established brand names.

AAI's principal methods of competition are distribution, price and occasional promotional campaigns. AAI believes that it can compete with other leading companies because its price position will remain competitive; creative and effective promotions; and strengthening of the regional distribution infrastructure.

(vi) Sources and availability of raw materials and the names of suppliers.

AAI subcontracted the manufacture of its products to a local absorbent cotton operator. Sourcing of raw materials is part of subcontractor's responsibility.

(vii) Disclose how dependent the business is upon a single customer or a few customers, the loss of any or more of which would have a material adverse effect.

AAI has terminated its distribution agreement with a national distributor and currently distribute its products thru various local distributors. It is still in the process of regularizing its sales distribution network.

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(viii) Transactions with and/or dependence on related parties.

For year 2005, the issuer has not made any advances to AAI. Small amounts, however, were extended to Global Clark Assets Corp. to fund necessary expenditures like mayor's permit and other taxes.

(ix) Principal Terms and Expiration Dates of all Patents, Trademarks Held

Patent/Trademark	Expiration Date
Registration of Adamson Brand for absorbent cotton	April 26, 2013
Registration of Sanita Products - sanitary napkin	Nov. 19, 2006
Registration of Sanita Products - absorbent cotton	May 5, 2009
Registration of Sanitex medical & surgical appliances	Renewal in process
Issuance of copyright for Adamson's New Beltless Sanitex	for life
Registration of Shielden medical and surgical supplies and sanitary napkin	Sept. 5, 2018

(xiv) Number of Employees

Global Equities, Inc.

Global Equities, Inc. has one employee to handle the Group's financial accounting requirements.

Adamson & Adamson, Inc.

	Regular	Casual	Total
Finance	1		1
Operations	3	0	3
	4	0	4

Anticipated No. of employees within the ensuing 12 months

	Regular	Casual	Total
Finance	1		1
Operations	0	0	0

Global Clark Assets Corporation.
Global Clark Assets Corp. has no employees and has no intention of hiring any staff.

Other wholly owned companies that are not yet operating are:
- The Villages of Mt. Ridge, Inc.
- Global Clark Assets Corporation

Subsidiaries under the state of dissolution:
- Global Business Park Ventures, Inc.
- GEI Assets Corp.(formerly Global Airport Container Yard, Inc.)
- Global Airport Facilities, Inc.
- Global Airport Storage Co., Inc.
- Global Airport Business Park, Inc.
- Clark Field Medical Services and Subsidiary
- Clark Medical Center, Inc.

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Item 2. Properties

The Company has acquired several parcels of land for development as follows:

Property location		Area (sqm.)
Industrial Land at Paranaque City	Located in the vicinity of the Ninoy Aquino International Airport Brgy. San Dionisio 2,432 sqm Brgy. La Huerta 50,481 sqm	52,913
Agricultural Land at Batangas City	Shoreline properties Brgy. Dela Paz 864,631 sqm Brgy. Talahib, Pandayan 464,575 sqm	1,329,206
Agricultural Land at Batangas City	Concepcion/Soro-Soro Brgy. Concepcion 147,305 sqm Brgy. Soro-soro 530,046 sqm	677,351

Properties located at Paranaque City and Shoreline properties situated at Batangas City were used as security to various loans obtained from local banks.

The Company's subsidiaries have plants or property as follows:

(a) ADAMSON & ADAMSON, INC.

AAI is renting a lot located at Sta. Rosa, Laguna for a monthly fee of ₱ 98,505.00

(b) MT. RIDGE EXECUTIVE RESORT & CORPORATE CENTER

The Company owns a 260,148 sq.m. parcel of land along Tagaytay Ridge at Bo. Niugan, Municipality of Laurel, Batangas. A considerable portion of this property is used as collateral to secure loan from a local bank.

There were no plans of property acquisitions for the next twelve months.

Item 3. Legal Proceedings

Adamson and Adamson, Inc., another subsidiary, is a defendant in a case involving claims for sum of money arising from the construction of the modernization plant in Sta. Rosa Plant. The contractor, Polygon Ventures, Inc. has filed a civil case no. Q-01-43632 with the RTC Branch 105, Quezon City. In the opinion of management, the ultimate liability for the lawsuit and claim, if any, will not be material in relation to the financial position and operations of the Company.

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

The current Directors and officers were appointed during the Board of Director's Meeting held on 26 August 2004, which was reported under SEC Form 17-C submitted on the same date.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

(A) Market for Registrant's Common Equity and Related Stockholder Matters

(1) Market Information

The principal market for the shares of stock of GEI is the Philippine Stock Exchange.

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Closing Market price as at 19 April 2006 is pegged at ₱ 0.07.

The average high and low sales prices of each quarter within the last two years are as follows:

	High	Low
Year 2005		
First Quarter	₱0.150	₱ 0.575
Second Quarter	0.105	0.625
Third Quarter	0.080	0.600
Fourth Quarter	0.0725	0.625

	High	Low
Year 2004		
First Quarter	₱0.070	₱0.055
Second Quarter	0. 085	0.050
Third Quarter	0.085	0.060
Fourth Quarter	0.075	0.055

(2) Holders

The number of shareholders of record as of December 31, 2005 was 729.
Common shares outstanding as of December 31, 2005 were 1,961,637,701.

Top 20 stockholders as of December 31, 2005:

	Name	No of Shares Held	% of Total
1.	PCD Nominee Corp. (Filipino)	981,454,745	50.03
2.	Nora A. Bitong	553,650,502	28.22
3	Mercury Group Of Companies, Inc.	44,508,600	2.27
4	Margarita F. Sison	20,115,806	1.03
5	Delfin Go Kian Lam	20,000,000	1.02
6	Trans Globe Equities, Inc. FAO of Nora Bitong	19,144,350	0.98
7	Mario Oreta	17,924,059	0.91
8	Li Chih-Hui	17,500,000	0.89
9	Florentino Herrera III	16,655,179	0.85
10	Sovereign Property Holdings, Inc.	14,100,000	0.72
11	Transnational Diversified Corporation	13,514,695	0.69
12	PCD Nominee Corp. (Non-Filipino)	10,211,929	0.52
13	William V. Coscolluella	9,890,800	0.50
14	Wat Lai Hing	9,878,425	0.50
15	Valmora Investment & Mgmt. Corp.	9,272,625	0.47
16	Amador Buenaseda, Jr.	9,003,354	0.46
17	RCBC Trust A/C#36-315-4	8,961,000	0.46
18	Jannov Holdings Corporation	7,912,640	0.40
19	Century Sports Phils., Inc.	7,500,000	0.38
20	Vicente Panlilio	6,016,904	0.31

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Top 20 stockholders as of March 31, 2006:

	Name	No of Shares Held	% of Total
1.	PCD Nominee Corp. (Filipino)	982,416,234	50.08
2.	Nora A. Bitong	553,650,502	28.22
3.	Mercury Group Of Companies, Inc.	44,508,600	2.27
4	Margarita F. Sison	20,115,806	1.02
5	Delfin Go Kian Lam	20,000,000	1.02
6.	Trans Globe Equities, Inc. FAO of Nora Bitong	19,144,350	0.98
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16	Amador Buenaseda, Jr.	9,003,354	0.46
17	RCBC Trust A/C#36-315-4	8,961,000	0.46
18	Jannov Holdings Corporation	7,912,640	0.40
19	Century Sports Phils., Inc.	7,500,000	0.38
20	Vicente Panlilio	6,016,904	0.31

(3) Dividends

There were no dividends declared in 2004 and 2005. Similar to the 1999 to 2003 period, the Company's continuing net loss performance inhibits the paying of dividends to shareholders

(4) Recent Sales of Unregistered Securities

For the period 2003 to 2005, the company has no sale of any unregistered securities.

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PART III – FINANCIAL INFORMATION

(A) Management's Discussion and Analysis or Plan of Operation.

Financial Performance
In Pesos Thousands

Key Financial Indicator	Year 2005			Year 2004			%
	Parent & Other Affiliates	Adamson & Adamson, Inc.	Group Total	Parent & Other Affiliates	Adamson & Adamson, Inc.	Group Total	
Revenues		766	766	-	5,205	5,205	100
Cost and Expenses	159,064	8,596	167,660	(31,347)	442	(30,905)	616
Net Income (Loss)	(159,064)	(7,830)	(166,894)	31,347	4,763	36,110	(516)
Current Assets	6,441	4,692	11,133	8,846	7,615	16,461	
Current Liabilities	941,209	143,943	1,085,152	1,048,113	138,104	1,186,217	
Total Assets	865,231	6,773	872,004	1,128,529	9,860	1,138,389	
Total Liabilities	421,172	682,349	1,103,521	525,406	677,605	1,203,011	
Stockholders' Equity	444,059	(675,576)	(231,517)	603,123	(667,745)	(64,622)	
Current Ratio Current Assets / Current Liabilities	0.007	0.033	0.010	0.008	0.055	0.014	
Total Liabilities to Equity Total Liabilities / Stockholders' Equity	0.95	(1.01)	(4.77)	0.87	(1.01)	(18.62)	
Return on assets Net Income / Total Assets	(0.18)	(1.16)	(0.19)	0.03	0.48	0.03	

Full Fiscal Years

Calendar Year 2005

Financial condition / changes in financial condition

The Company reflected in its financial statements the signed agreement with landowners and broker regarding its 84 hectare property in Batangas City, Batangas, resulting to an increase in the Company's equity ownership to 80% from 60%. In addition, payable to landowners amounting to P152.5 Million were completely reversed resulting to a positive net income of P 27 Million. The Company continues to explore all interests in these properties whether an outright sale or joint venture.

The Company's joint venture development with Sta. Lucia Realty, Inc. regarding its 16-hectare Tagaytay property (under subsidiary MRERCCI where the Company has 70% equity) is expected to wipe-out its debt obligation with its creditor bank amounting to P70 Million. The Company's 50% share in revenues is at least P100 Million plus interest income, enabling the Company to pay more of its priority payables.

The Company continues to entertain all interests in its remaining five-hectare NAIA –Paranaque property, with the goal of settling its debt obligation of P231.5 Million with its creditor bank.

With regards to its 140-hectare leasehold rights in the Clark Special Economic Zone, the Company concluded its negotiation with Clark Development Corporation and inked an amendment to the original lease agreement on March 2006. The new leasehold rights covers 87.3274 hectares. The Company continues to explore all interests in this investment.

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The Company continues to protect its 20% equity in Sacobia Hills Corporation, (developer of the True North Golf & Country Club inside Clark) including most importantly the rights of the members, by liaising will all concerned regulatory agencies.

The Company's trading operation in Adamson & Adamson, Inc. remains active although limited, but with no financial exposure. The Company continues to seek additional equity funding to continue and expand the trading operation; and at the most opportune time, consider selling the brand equity.

With the above progress, the Company expects to improve its financial condition by year-end 2006.

Results of operations

The Company's investment in Adamson & Adamson, Inc. registered sales of P0.766 Million compared to P5.2Million in 2004. AAI's third party manufacturer actually sold about P25.9Million worth of Adamson products; however, AAI only reports direct sales to select distributors as sales and the balance as other income equivalent to 5% to 7.5% of the sales amount. Operating expenses was recorded at P6.26Million. Operating loss was reported at P5.495Million compared to a net loss in 2004 of P10.989Million (prior to allowance for probable losses). The reported loss of P 166.894 Million is attributable mainly to the provision for impairment loss on land and development of the Company's property at Soro-soro, Batangas City amounting to P 184.750 Million.

As disclosed in 2003, AAI has become a trading operation of absorbent cotton products. A third party manufacturer produces the Company's products, while the Company handles the marketing function ie. strictly identifying potential distributors nationwide. As the manufacturer collects payments from the trade, AAI receives income margin of 5% to 7.5% from the manufacturer. In effect, there is no financial exposure for the Company. The immediate goal of AAI is to regain its historical sales level of Adamson branded products of at least P90Million.

On a consolidated basis, Total assets were at P0.872Billion in 2005 compared to P1.138Billion in 2004. Total liabilities were at P1.104Billion compared to P1.203Billion in 2004. Stockholders' equity is a negative P231.517 Million compared to a negative P64.62Million.

The Company's revenues decreased from P5.20Million in 2004 to P0.766Million in 2005. As explained in a previous section, this is a result of AAI's financial arrangement with its third party manufacturer wherein AAI only reports direct sales to certain distributors as sales and the balance as other income equivalent to 5% to 7.5% of the sales amount. A total of about P25.9Million was sold by the third party manufacturer in 2005 for AAI.

Net loss was at P166.894Million compared to net income of P36.110Million in 2004.

Plans and prospects

The Company expects its Tagaytay development to be substantially sold in 2006 as construction works are accelerated, enabling payment of bank debt and other payables. The NAIA-Paranaque, Batangas, and Clark properties remain subject to outright sale or joint venture as the Company continues to entertain all interests. In the case of the NAIA property, this will also enable the Company to settle its remaining bank obligation making it debt-free.

The Company intends to aggressively pursue protection of its rights in its 20% equity in Sacobia Hills Corporation, including all members, regarding the True North Golf & Country Club.

The Company intends to maintain the trading operations of Adamson & Adamson, Inc. with no financial exposure to protect the brand equity for possible sale or brand expansion in the future.

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Liquidity

Liquidity remained restricted similar to prior years. While the Company remains committed in settling its trade and non-trade payables particularly in AAI, this can only come from its trading operations. The Company hopes to begin amortizing its payables no later than end 2006.

The Company relies on its principal stockholder for internal and immediate source of liquidity. Other sources include sale of its real estate investments and from AAI's operations. External sources can come from third party investors. The Company does not intend to result to bank financing.

Long term sources of liquidity are expected to come from its existing and upcoming real estate developments, which would have a positive and material effect on the Company's financial position and performance.

Price changes in raw materials and labor are not material concerns in the Company's operations, neither is it subject to seasonality.

Calendar Year 2004

Financial condition / changes in financial condition

In February 23, 2004, the Company concluded a *dacion-en-pago* transaction with Equitable-PCI Bank concerning its Adamson & Adamson, Inc.'s (AAI) manufacturing facility and equipment, in full settlement of its principal obligations amounting to P169.3Million and AAI's P26.2Million, for a total of P195.5Million.

In April 14, 2004, the Company has secured a preliminary agreement with landowners and brokers involving its investment in an 84-hectare property in Batangas City, Batangas. In effect, the Company's remaining payable to landowners of P152.2Million will be wiped-out entirely, and its equity participation in the property will increase from 60% to 80%. Documentation is expected to be finalized no later than year-end 2005.

In August 6, 2004, the Company concluded a joint venture agreement with Sta. Lucia Realty, Inc. regarding the development of a 16-hectare property in Tagaytay, Laurel, Batangas. The property is owned by Mountain Ridge Executive Resort and Conference Center, Inc. (MRERCCI), a 70% subsidiary of the Company, and has a mortgage in the amount of P70Million with Rizal Commercial Banking Corporation.

Towards the end of third quarter 2004, the Company began negotiation for the sale of its 20% equity in Sacobia Hills Corporation, owner of the True North Golf & Country Club. Its Clark investment of 140 hectares of leasehold rights might also be included in this ongoing transaction. The Company hopes to conclude negotiation before year-end 2005.

These transactions are expected to impact the Company positively in 2005, as interest and debt burden would be reduced substantially, and idle real estate assets converted into ongoing concerns.

Results of operations

The Company's investment in Adamson & Adamson, Inc. registered sales of P5.2Million compared to P20.9Million in 2003. AAI's third party manufacturer actually sold about P29Million worth of Adamson products; however, AAI only reports direct sales to select distributors (P5.2Million) as sales and the balance as other income equivalent to 5% to 7.5% of the sales amount. Operating expenses was recorded at P4.8Million. Operating loss was reported at P6.4Million compared to a net loss in 2003 of P84.9Million (prior to allowance for probable losses). Although a net income of P4.7Million was reported in 2004, this is a result of an P11.3Million other income reported by the Company concerning its sale/disposal of certain equipment and facilities.

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As disclosed in 2003, AAI has become a trading operation of absorbent cotton products. A third party manufacturer produces the Company's products, while the Company handles the marketing function ie. strictly identifying potential distributors nationwide. As the manufacturer collects payments from the trade, AAI receives income margin of 5% to 7.5% from the manufacturer. In effect, there is no financial exposure for the Company. The immediate goal of AAI is to regain its historical sales level of Adamson branded products of at least P90Million.

On a consolidated basis, Total assets were at P1.13Billion in 2004 compared to P1.3Billion in 2003. This is a result of the concluded *dacion* transaction of AAI's manufacturing facility and equipment. Total liabilities were at P1.22Billion compared to P1.47Billion in 2003. Stockholders' equity is a negative P91.23Million compared to a negative P130.65Million.

The Company's revenues decreased from P20.9Million in 2003 to P5.2Million in 2004. As explained in a previous section, this is a result of AAI's financial arrangement with its third party manufacturer wherein AAI only reports direct sales to certain distributors as sales and the balance as other income equivalent to 5% to 7.5% of the sales amount. A total of about P29Million was sold by the third party manufacturer in 2004 for AAI.

Net income was at P39.2Million compared to P127.2Million in 2003. In 2004, while the Company recorded net loss from operations of P10.9Million, the condonation of interest charges by the principal stockholder amounting to P83Million resulted to the positive income of the Company.

Plans and prospects

In terms of its investment in AAI, the Company aims to maintain the presence of the Adamson brand in the market with no financial exposure, thereby protecting the brand equity for future sale and/or joint venture with a third party.

The joint venture with Sta. Lucia Realty Inc. on the Company's Tagaytay property is expected to generate at least P100Million to P140Million, thereby addressing its loan wth Rizal Commercial Banking Corporation of P70Million. The project is expected to be completely sold no later than year-end 2005, as forecasted by Orchard Property Marketing Corporation, a wholly-owned subsidiary of Sta. Lucia. The Company is also in preliminary discussions with the same developer regarding its 84-hectare Batangas City investment.

The Company's 5-hectare property in Paranaque, Metro Manila remains the subject of possible sale and/or joint venture with third parties. The objective is to fully liquidate its loan of P231.5Million, the only remaining bank loan of the Company.

The Company's goal remains the immediate liquidation of its loans and conversion of its remaining assets into ongoing concerns.

Liquidity

Liquidity remained restricted similar to prior years. While the Company remains committed in settling its trade and non-trade payables particularly in AAI, this can only come from its trading operations. The Company hopes to begin amortizing its payables no later than end 2005.

The Company relies on its principal stockholder for internal and immediate source of liquidity. Other sources include sale of its real estate investments and from AAI's operations. External sources can come from third party investors. The Company does not intend to result to bank financing.

Long term sources of liquidity are expected to come from its existing and upcoming real estate developments, which would have a positive and material effect on the Company's financial position and performance.

Price changes in raw materials and labor are not material concerns in the Company's operations, neither is it subject to seasonality.

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Calendar Year 2003

Financial condition / changes in financial condition

The Company expects to record the pending *dacion-en-pago* agreement with Equitable-PCI Bank (Equitable-PCI) in 2004, putting closure to its remaining ₱195.5Million principal debt. However, the Company already recognized an adjustment in the impairment allowance of ₱ 120.5 Million. There is also a pending sale transaction of the Company's real estate investment in Paranaque, which carries a mortgage with United Overseas Bank (UOB) amounting to ₱231.5Million. The Company is also in the final stages of a joint venture agreement with Sta. Lucia Realty, Inc. regarding its 70% interest in Mountain Ridge Executive Resort and Conference Center, Inc. This 16-hectare property has a mortgage with Rizal Commercial Banking Corporation (RCBC) amounting to ₱70Million.

The Company's remaining unencumbered real estate assets are the following: (1) the 140-hectare Clark Field estate, (2) the 85-hectare Batangas Central estate, and (3) its 20% equity in Sacobia Hills Corporation, owner of the True North Golf & Country Club.

The above ongoing transaction is expected to impact the Company's financial position positively, as interest burden on its bank loans is substantially reduced, which has been depleting the Company's resources in past years.

Results of operations

With regards to our investment in AAI, revenues amounted to ₱ 20.9Million compared to ₱130.5Million in 2002, with a net loss prior to allowance for probable losses of ₱ 84.9Million compared to a net loss of ₱80Million in 2002. This is inclusive of interest charges from the parent company of ₱ 38.1Million. With the closure of our manufacturing operations at the start of 2003, we correspondingly ceased our contract manufacturing business which accounted for ₱ 45.2Million of our 2002 revenues. In 2003, we resumed our sales towards the second half only after identifying the proper manufacturing contractor for our products. Since inventory of our products in the trade continued to decrease during the first six months of 2003, we again had to re-establish and re-organize our distribution network in the second half of the year. In prior years, AAI sells about ₱ 88.3Million of its branded absorbent cotton products. This remains the immediate goal of the company as its sales operation normalizes.

Selling, general and administrative expenses amounted to ₱17.8Million compared to ₱ 46.5Million in 2002, wherein retrenchment cost accounted for 12.5% of the 2003 expenses. Without the retrenchment cost, AAI's operating loss prior to interest charges and reversal of provision for impairment loss would have been ₱ 22.06Million.

On a consolidated basis, Total Assets was at ₱1.3Billion in 2003 compared to ₱1.1Billion in 2002. This is mainly a result of an accounting adjustment regarding impairment losses of property, plant and equipment and investments in real estate. Total Liabilities was at ₱1.47Billion compared to ₱1.41Billion in 2002. Stockholders' Equity is a negative ₱130.6Million compared to ₱257.9Million in 2002.

Our Company's revenues decreased to ₱20.9Million from ₱144.1Million in 2002. Our net income was at ₱127Million compared to a net loss of ₱742.9Million in 2002.

Plans and prospects

In our real estate investment in the remaining five-hectare Paranaque property, we are in negotiation with our creditor bank, United Overseas Bank (UOB), regarding our outstanding loan amounting to P231.5Million with the entry of a third-party investor on a straight-sale basis. We expect to conclude the transaction no later than third quarter of 2004.

Our 70% equity interest in Mountain Ridge Executive Resort and Conference Center, Inc. (MRERCCI) is currently the subject of a joint venture arrangement with Sta. Lucia Realty, Inc. (Sta. Lucia). This 16-

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hectare property has a mortgage with Rizal Commercial Banking Corporation (RCBC) in the amount of P70Million. In the joint venture agreement, MRERCCI and Sta. Lucia will share 50/50 on the estimated sales proceeds ranging from P190Million to P280Million, with Sta. Lucia contributing the construction of the site development for the residential community. We expect to sign the agreement early in the second quarter of 2004.

In light of management's thrust to have a debt-free company in terms of bank loans and trade payables and to bring back our stockholders' equity to positive, management has accepted the offer of our principal shareholder to: 1) assume the remaining loan with UOB of ₱231.5Million (subject to bank approval) mortgaged on the five-hectare property, together with all related payables amounting to ₱66.24Million, 2) assume ownership of AAI together with all related payables amounting to ₱148.4Million, and 3) condonation of accrued interest charges of ₱83Million on ₱118Million advances made to the Company.

To secure the advances of the principal stockholder the Company approved to mortgage the following properties:

1. By way of second mortgage, over the parcel of land located at Paranaque City with an area of approximately 50,481 sq.m. and by way of first mortgage over the parcel of land located at Paranaque with an area of 2,432 sq.m.
2. By way of first mortgage, over the leasehold rights over 140 hectares located at the Clark Special Economic Zone under the terms set forth in the Lease Contract dated 31 January 1997;
3. By way of first mortgage, over various parcels of land located at Batangas City with an area of 846,688.69 sq.m.

After implementation of the above-actions, the only remaining debt-free asset is its 20% equity in Sacobia Hills Development Corporation. In addition, the Company will maintain its 70% equity in MRERCCI wherein a joint venture with Sta. Lucia is about to be launched. .

Both Clark and Batangas City Central are in preliminary stages of joint venture discussions, hopefully consummated by year-end 2004. We have initiated the legal process in terms of protecting our interest in Sacobia Hills, owner of the True North Golf & Country Club in Clark.

Liquidity

In 2003, the Company's liquidity has remained restricted similar to the 2001-2002 period. However, with the above-mentioned transactions in progress, the issue of interest burden will eventually be resolved.

The Company remains obligated to pay its outstanding trade and non-trade payables particularly in AAI. The Company intends to pay through income from its trading operations when it normalizes.

Similar in prior years, internal sources of liquidity include advances from the principal shareholder, sale of its real estate and other investments, and from AAI's operations. External sources of liquidity can come from third party investors. The Company does not intend to increase its bank loans.

The principal shareholder remains the immediate source of liquidity. As a long-term source of liquidity, the Company remains hopeful that it can consolidate its investments through outright sale or joint ventures and raise the necessary capital to fund the development of its unencumbered real estate assets. If successful, the Company expects its financial position and performance to have a positive and material change.

The Company is not affected by changes in the prices of raw materials and labor.

The Company's investments in real estate and trading are not subject to seasonality in a material way, which could influence its financial condition and results of operations.

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Item 7. Financial Statements

consolidated financial statements and schedules required are filed as part of this Form 17-A. (Refer to the accompanying Index to Financial Statement and Supplementary Schedule).

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

There are no changes in and disagreements with accountants on accounting and financial disclosures.

PART IV - CONTROL AND COMPENSATION INFORMATION

(A) (1) Directors and Executive Officers of the Registrant

The following persons are the directors and officers who have been nominated to serve as directors and officers until the next annual meeting of stockholders or until their successors, if any, are elected.

Office	Name	Citizenship	Age
Director, Chairman of the Board	Nora A Bitong	Filipino	60
Director	Edmundo S. Isidro	Filipino	69
Director	Jerry C. Angping	Filipino	51
Director	Khrisnamurti Africano	Filipino	69
Director	Mario A. Oreta	Filipino	59
Director	Florentino M. Herrera III	Filipino	54
Independent Director	Florencio T. Mallare	Filipino	73
Independent Director	Edgardo Del Fonso	Filipino	65
Director	Vincent Bitong	Filipino	35
Corporate Secretary	Arsenio C. Cabrera Jr.	Filipino	46

NORA A. BITONG
Chairman

Ms. Bitong, 60 years old, is a graduate of the Harvard University School of Business, U.S.A. (Advanced Management Program), holds a Bachelor of Science in Business Administration degree (Cum Laude) from the University of the East, and is a Certified Public Accountant (6^{th} Place-1966). She has been Chairman of the Board of the Company since 1995. She is also Chairman of the Board and President of Global Clark Assets Corporation, Clark Field Medical Services, Inc., Global Airport Business Park, Inc., GEI Assets Corp., Global Airport Facilities, Inc., Global Airport Storage Co., Inc., Global Business Park Ventures, Inc., Trans Globe Properties, Inc., Trans Globe Management Services, Inc., Mountain Ridge Executive Resort & Corporate Center, Inc., Mountain Ridge Resort & Development Corp., The Villas of Mountain Ridge, Inc., Karrivin Holdings Corp., Virkar Realty Corp., Astra Realty Corp., Industrial Park Ventures, Inc., Bonanza Realty, Inc.; Chairman of Adamson & Adamson, Inc., Karrivin Property Management Service, Inc., NAB Ventures, Inc., Jannov Holdings Corp., President of Trans Globe Equities, Inc.; and a Director of Araneta Properties, Inc., Systems Standards, Inc. (SSI) Group of Companies, and Systems Technology Institute (STI).

EDMUNDO S. ISIDRO
Director

Mr. Isidro, 69 years old, is a graduate of the Harvard University, U.S.A. (Advanced Management Program), of the University of Minnesota, U.S.A. (Business Administration) and of the University of the Philippines (Mechanical Engineering). He has been President of the Company from 1995 to 1997.

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He is the current Vice-Chairman and Director of Adamson & Adamson, Inc.; President of EI Operations Management Group, Inc.; Chairman and Founder of Philippine Venture Capital Investment Group; Chairman of AIM Private Equity Fund; Director of Wise Holdings Phils., Inc., BankWISE, Mountain Ridge Executive Resort & Corporate Center, Inc., Mountain Ridge Resort & Dev. Corp., Global Clark Assets Corp., Trans Globe Properties, Inc., Trans Globe Equities, Inc., Trans Globe Management Services, Inc., Global Airport Business park, Inc. (formerly Export Parks Commercial Estate Corp.); Member of the Board of Advisors of Cambridge Transnational Associates, Inc. Boston, Massachusetts, U.S.A.; and Vice-President of ALI & Sons Development Corporation.

JERRY C. ANGPING
Director

Mr. Angping, **,** 51 years old, holds a Masters in Business Administration degree from the Harvard Business School, USA, and an A.B. Broadcast Communication degree (Cum Laude) from the University of the Philippines. Mr. Angping has been Director of the Company since 1995. He is currently the Chairman of Angping & Associates Securities, Inc., Vice Chairman STI Systems Technology Institute, Inc., Director of First Metro Investment Corporation, Lepanto Consolidated Mining, Inc., Asian Alliance Holding Corporation and Crown Equities, Inc., Chairman of Purpose Driven Foods, Inc. and Governor of i-Academy.

KHRISNAMURTI A. AFRICANO
Director

Atty. Africano **,** 69 years old, holds a Master of Laws at the Harvard Law School. He was appointed to serve as Director of Global Equities, Inc. during the Board of Directors meeting held on 01 March 2004. He is currently the Legal Consultant of Angping & Associates Securities, Inc.

MARIO A. ORETA
Director

Atty. Oreta, 59 years old, a member of the Philippine Bar, is a Bachelor of Laws (with honors) and a Bachelor of Arts, Major in Political Science (Dean's list) graduate of the Ateneo de Manila University . He has been Director of Global Equities since 1995 and is at present a Senior Partner of Oreta & Berenguer Law Firm, President/CEO of Mancom Berhad-CBDC Joint Venture Corporation, Constant Builders & Development Corporation, Major Holdings Corporation, M.A. Oreta & Co.,Inc. and Major Properties, Inc; Director of Vickers Ballas Securities (Phils.), Inc., and Mt. Ridge Resort & Development Corporation.

FLORENTINO M. HERRERA III
Director

Atty. Herrera, 54 years old, a member of the Philippine Bar, holds a Bachelor of Arts in Political Science degree and a Bachelor of Laws Degree (Cum Laude, Salutatorian) from the University of the Philippines. Mr. Herrera has been a Director since 1998 and is at present a Managing Partner of Herrera Teehankee Faylona & Cabrera Law Offices. He is presently the Director/President of Amica Corporation, Arpeggio International Resources Company, Inc., BSMG Worldwide, Inc. Dream 6750, Inc., Filsyn Corporation, Hare Services, Inc., Petruchio Holdings Corporation, SRTC Development Corporation and Trans-Pacific Oriental Holding Co., Inc.; Director/Chairman/President of Andora Holdings, Inc., Bellagio Properties, Inc., Bellcore Holdings Corporation, Bellendorf Peak Resources, Inc., Certosa Resources, Inc., Econolink Investments, Inc., Fontana Resources Corporation, Genshare Holdings Corporation, Hunter Valley Resources, Inc., Ipioneer Properties, Inc., Maseena Resources

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Corporation, Medlinks Resources, Inc., Med Visiions Resources, Inc., Pomona Properties, Inc., Pergamon Resources Corporation, Seabright Resources, Inc., Telemedia Business Ventures, Inc., Upbeam Investments, Inc. and Webshare Resources, Inc.; Director/Corporate Secretary of Belle Jai-Alai Corporation, Independent Daily News, Inc., LR Publications, Inc., and ABC Development Corporation; Director/Treasurer of Armada Capital, Inc., Corsair Resources, Inc., EFM, Inc., Fontalloro Resources, Inc., Long Trail Holdings, Inc., Marilag Corporation, Marquise Resources, Inc., Mountain Links Corporation and North Point Resources; Director of Civil Aeronotic Board, Clark Medical Center, Inc., Clark Field Medical Services, Inc., E. Zobel, Inc., FMF Development, Global Equities, Inc., Global Clark Assets Corporation, Indigo Distribution Corp., Mantrade Development Corporation, MCE Investments Ltd., Melrra Realty, Inc., Metropolitan Insurance Company, Premier Wine and Spirits, Inc. and United Overseas Bank, Phils.; Corporate Secretary of AG & P Company of Manila, Aeropartners, Inc., Airport Specialists' Services Corporation, Contex Corporation, Associated Broadcast Marketing Corporation, Clement Textile International Corporation, Filipinas Gaming Entertainment Totalizator Corporation, Lufthansa Technik Philippines, Inc., Medteks International Corporation Ltd., Medtex Corporation and Systems Technology Institute, Inc.; and Treasurer of Corsair Resources, Inc.

FLORENCIO T. MALLARE
<u>Independent Director</u>

Mr. Mallare, 73 years old, is a graduate of the Far Eastern University (Ll. B.) He has been Director since 1998. He is the Chairman of A & E Industrial Corp., Fil-Fibers Mfg., Inc. and Phil-Data Networking Corp.; President of World News Publication Corp., Phil-Proc Imp & Exp., Inc. and New Era Travel & Tours and Director of First Metro Investment Corporation.

EDGARDO DEL FONSO
<u>Independent Director</u>

Mr. Del Fonso, 65 years old, was formerly a Director of Global Equities, Inc. from 1995 to 2000. From 1993 to 1998 he was Executive Vice President & Chief Financial Officer of Philippine Long Distance Telephone Company.

VINCENT R. BITONG
<u>Director</u>

Mr. Bitong**,** 35 years old, is a Bachelor in Business Administration graduate of the Boston College. He is currently the Treasurer/Director/Stockholder of NAB Ventures, Inc.; Director/Stockholder of Karrivin Holdings Corporation ; Virkar Realty Corporation ,Astra Realty Corporation. He was the Vice President for Corporate Finance & Business Development of Global Equities, Inc. and affiliates.

ARSENIO C. CABRERA, JR.
<u>Corporate Secretary</u>

Atty. Cabrera, 46 years old, a member of the Philippine Bar, holds a Bachelor of Laws (Second Honors) and a Bachelor of Science in Legal Management from the Ateneo de Manila University . Mr. Cabrera is a Senior Partner of Herrera Teehankee Faylona & Cabrera Law Offices. He is currently the General Counsel of Systems Technology Institute, Inc.; Corporate Secretary of Global Equities, Inc., Adamson & Adamson, Inc., Global Clark Assets Corporation, Clark Field Medical Services, Inc., Clark Medical Center, Inc., Mountain Ridge Executive Resorts & Corporate Center, Inc., AAPC Philippines, Inc., CAlatagan Bay Realty, Inc., Canlubang Golf & Country Club, Inc., DLS-STI College of Health Professions, Inc. Foundation for Filipinos, Inc., Great Alliance Telecommunications, Inc.,

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Lorenzo Shipping Corporation, Northcroft Lim (Philippines) Inc., People's Shrine Foundation, Inc., Renaissance Condominium Corporation, Rinaldi Structural (Philippines), Inc., Sonak Holdings, Inc., STI Academy Las Pinas, Inc. STI Capiz, Inc. STI College Alabang, Inc., STI College of Lucena, Inc., STI Colleges of Luzon, Inc., STI Colleges of Metro Manila, Inc., STI Colleges of Mindanao, Inc., STI eCollege Baguio, Inc., STI eCollege Cebu, Inc., STI eCollege Southwoods, Inc., Systems Standards, Inc., The Riding School, Inc., Trend Developers, Inc., Villa Development Corporation and WVC Development Corporation.

Officers are appointed annually by the Board of Directors at its first meeting following the Annual Meeting of Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been appointed or shall have qualified.

(2) Identify Significant Employee

The registrant has no other significant employee.

(3) Family Relationship

Other than Vincent Bitong who is a son of Nora A. Bitong, no family relationships up to the fourth civil degree either by consanguinity or affinity exist among the directors, executive officers or persons nominated or chosen by the Company to become directors or executive officers.

(4) Involvement in Legal proceedings

To the knowledge and/or information of the Company, the above named directors and executive Officers of the Company are not, presently or during the last five (5) years up to the present date, Involved or have been involved in : (a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer; (b) any conviction by final judgment, in a criminal proceedings, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; (c) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, or any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

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(B) Executive Compensation

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		
		Salary	Bonus	Other
No executive compensation	2006 (est)	0	0	0
		========	========	========
No executive compensation	2004-2005	0	0	0
		========	========	========
1 Edmundo S. Isidro Vice Chairman 2 Vincent Bitong Vice President for Corporate Finance and Business Development 3 Marilyn S. Casabar Executive Assistant to the President 4 Crispina R.Pineda Vice President for Property Acquisitions and Development	2003	2,606,250	0	0
		=========	=======	========
1. Edmundo S. Isidro Vice Chairman 2. Kenn Francis Ramos Senior Executive Vice President 3. Vincent Bitong Vice President for Corporate Finance 4. Marilyn S. Casabar Executive Assistant to the President 5. Crispina R.Pineda VP for Property Acquisitions and Development	2002	6,276,000.00	523,000	0
		==========	=======	=======

- **Compensation of Directors and Chairman**

  The Directors and the Chairman of GEI are not receiving any compensation directly or indirectly for any services provided.

- **Employment Contracts and Termination of Employment and Change-in-control Arrangement**

  There are no special arrangement as to the employment contract of any executive officer such that said officer will be compensated upon his resignation, retirement or other termination from the Company or its subsidiaries, or as may result from a change-in-control except as provided by law.

- **Warrants and Options Outstanding**

  The stockholders approved a stock option to management equivalent to ten percent (10%) of the outstanding capital stock. This was approved by the SEC last 19 December 1996. On May 17, 1999 and 30 June 1999, the Board of Directors, by a majority vote, and its shareholders, representing at least 2/3 of the outstanding capital stock , respectively, approved the amendments to the management stock option plan. The amendments were approved by the SEC on 31 August 1999. The following items are amended: (1) the price of the share from P1.25 to P1.00; (2) the

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manner of payment from full payment at the time of the exercise of the option to an initial payment of twenty-five percent (25%) of the total price of shares purchased with the balance being due and payable upon call by the Board of Directors; and (3) period for the exercise of the option was increased from three (3) years to five (5) years from 19 December 1996

At present, no one has exercised his/her stock option rights.

(C) Security Ownership of Certain Beneficial Owners and Management as of December 31, 2005

(1) Security Ownership of Certain Record and Beneficial Owners

Type of Class	Name and address of record owner and relationship with owner	Name of Beneficial Owner and relationship with Record owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corp G/F, Makati Stock Exchange Bldg. Ayala Avenue , Makati City		Filipino	981,454,745	50.03%
	Name of PCD participant owning more than 5%				
	Angping & Associates 20/F The Peak, 107 LP Liveste St. Salcedo Village, Makati City		Filipno	161,747,799	8.25%
Common	Nora A. Bitong Jannov Plaza, 2295 Pasong Tamo Ext. Makati City		Filipino	553,650,502	28.22%

Note 1 PCD Nominee Corporation is a wholly owned subsidiary of Philippine Central Depository, Inc. (PCD) and is the registered owner of the shares in the book of the Company's transfer agent. The participants of the PCD are the beneficial owner of such shares. PCD holds the shares on behalf of their clients.

(2) Security Ownership of Management

Type of Class	Name of Beneficial Owner		Amount & nature of beneficial ownership	Citizenship	Percent of class
Common shares	Nora A. Bitong	R	553,650,502	Filipino	28.22%
	Mario A. Oreta	R	17,924,059	Filipino	0.91%
	Florentino M. Herrera III	R	16,655,179	Filipino	0.85%
	Florencio T. Mallare	R	1,953,433	Filipino	0.10%
	Edmundo S. Isidro	R	1,237,553	Filipino	0.06%
	Jerry C. Angping	R	1,000,000	Filipino	0.05%
	Edgardo Del Fonso	R	832,623	Filipino	0.04%
	Arsenio Cabrera	R	327,632	Filipino	0.02%
	Khrisnamurti A. Africano	R	600,000	Filipino	0.03%
	Vincent Bitong	R	100,000	Filipino	0.01%
	All Directors and executive officers as a group		594,280,981		30.30%

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(D) Certain Relationships and Related Transactions

Other than Vincent Bitong who is the son of Nora A. Bitong, no family relationships up to the fourth civil degree either by consanguinity or affinity exist among the directors, executive officers or persons nominated or chosen by the Company to become directors or executive officers.

PART V – CORPORATE GOVERNANCE

(a) Due to the fact that there has been minimal commercial operations of the Company and its subsidiaries and considering that the Company currently has only four (4) employees, there has been no specific mechanism/evaluation system formulated by the Board to measure compliance with the Manual.

(b) The Company elects at least two (2) independent Directors. The Company also ensures that all the nominees to the Board possess none of the disqualifications prescribed by the Manual on Corporate Governance. The Company has an Audit Committee which is tasked to review the Audited Financial Statements.

(c) In view of the restraints discussed in item (a) above, GEI cannot be fully compliant with the provisions of the Manual.

(d) As soon as the Company has regular commercial operations, it shall strengthen the system already in place to ensure full compliance with the Manual.

PART VII - EXHIBITS AND SCHEDULES

(A) Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying index to Exhibits (Page 25)

The following exhibit is filed as a separate section of this report:

- Subsidiaries of the registrant

- The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

(b) Reports on SEC Form 17-C

Date of Report - 05 October 2005
Item Reported
Item 4 – Resignation of directors/Election of Officer

Global Equities, Inc. received letters of resignation from two (2) of its Directors, Messrs. Jovencio S. Babaan and Tommy Kin Hiang Tia. The letters stated that their resignation as Directors of GEI shall be effectively immediately.

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SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer, thereunto duly authorized, in the City of Makati on__________, 2006.

GLOBAL EQUITIES INC.
Issuer

By:

Date 4/25/06
Nora A. Bitong
Chairman of the Board

Date 4/25/06
Vincent R. Bitong
Director/ Vice President for Finance and Business Development

Date 4/25/06
Atty. Arsenio Cabrera, Jr.
Corporate Secretary

Date 4/25/06
Gina C. Pasion
Principal Accounting Officer

APR 25 2006

SUBSCRIBED AND SWORN to before me this _____ day of _________ 2006 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Nora A. Bitong	24317976	2/22/06	Makati
Vincent R.Bitong	20517619	1/23/06	Makati
Atty. Arsenio Cabrera, Jr.	02149583	1/09//06	Manila
Gina C. Pasion	27007166	3/17/06	Antipolo

DOC NO. 17
PAGE NO. 63
BOOK NO. _____
SERIES OF 2006

ATTY. LOPE M. VELASCO
NOTARY PUBLIC
Notary Public
UNTIL DEC. 31, 2007
PTR 4547109 - MLA. 1/2/06
IBP 660381 - MLA. 11/30/05
TIN 212 - 965 - 989
ATTY'S ROLL NO. 28757

INDEX TO EXHIBITS

Form 17 - A

* These Exhibits are either not applicable to the Company or require no answer.

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EXHIBIT 18 SUBSIDIARIES OF THE REGISTRANT

Global Equities, Inc. has wholly-owned subsidiaries as follows:

NAME	JURISDICTION
Adamson & Adamson, Inc.	Philippines
Global Airport Business Park, Inc . (*)	Philippines
GEI Assets Corp. formerly Global Airport Container Yard, Inc. (*)	Philippines
Global Airport Facilities, Inc. (*)	Philippines
Global Airport Storage Co., Inc. (*)	Philippines
Global Business Park Ventures, Inc. (*)	Philippines
Global Clark Assets Corporation	Philippines
Clark Field Medical Services, Inc. (*)	Philippines
The Villages of Mt. Ridge, Inc.	Philippines

* Under liquidation

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GLOBAL EQUITIES, INC.
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A

Consolidated Financial Statements

Supplementary Schedules

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GLOBAL EQUITIES, INC.
JANNOV PLAZA, 2295 PASONG TAMO EXT., MAKATI CITY
TEL. (632) 8937258, 8442662 FAX (632) 8150126

April 15, 2006

To the Stockholders,

Our principal shareholder made personal advances again amounting to ₱3.4Million enabling the company to continue operations in 2005. Our capital deficiency increased to ₱231.52Million from ₱64.62Million in 2004, with net loss of ₱166.89Million in 2005 arising from a provision for impairment loss on land.

Our two operating units remain on course, namely:

1. Under Mt. Ridge Executive Resort & Conference Center, Inc. The 16-hectare Villa Mercedes-Mountain Ridge, Tagaytay residential community development, our joint venture with Sta. Lucia Realty, Inc. Construction works were delayed primarily due to the extended wet season. We are currently accelerating construction and expect to complete much earlier than the original target date of February 2007. Regardless, we are confident together with Orchard Property Marketing Corporation (the marketing arm of Sta. Lucia) that a good number of residential lots will be sold in 2006 hand in hand with the accelerated construction activities. Our 50% share is at least ₱100Million plus interest income. We remain hopeful that this project will address the payment of ₱70Million outstanding Bank loan of the subsidiary.

2. Our trading operations in Adamson & Adamson, Inc. registered sales of about ₱25.9Million in 2005. Because of lack of fresh working capital, we are not able to explore opportunities to enhance our brand, without compromising ownership of the Brand.

With regards to our investments in Clark under Global Clark Assets Corporation, we just recently concluded and signed with Clark Development Corporation an amendment to our original lease agreement of 140 hectares net of EXPO now covering an area of about 87 hectares only with the balance of 53 hectares to be identified within a two year period from Sacobia Sub-Zone. We had no choice but to give up the other 53 hectares adjacent to the EXPO to put a closure to the long contested issue with Expo Corporation and Clark Development Corporation. With regards to our 20% interest in Sacobia Hills Development Corporation, the developer of True North Golf and Country Club inside Clark, we continue to liaise with all regulatory agencies to ensure that our rights are protected and enforced at the most opportune time.

We continue to entertain offers of Joint Venture or a buyout for our remaining 5-hectare NAIA property, which would enable us to pay our remaining debt of ₱231.5Million with United Overseas Bank and settle certain construction payables that have long been outstanding.

We thank you for your continued trust and support.

NORA A. BITONG
Chairman

GLOBAL EQUITIES, INC.
JANNOV PLAZA, 2295 PASONG TAMO EXT., MAKATI CITY
TEL. (632) 8937258, 8442662 FAX (632) 8150126

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Global Equities, Inc. is responsible for all information and representations contained in the consolidated financial statements as of December 31, 2005 and 2004 and for the years ended December 31, 2005 and 2004. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

The Board of Directors reviews the consolidated financial statements before such statements are approved and submitted to the stockholders of the Company. SyCip, Gorres, Velayo & Co., the independent auditors appointed by the Stockholders, has examined the consolidated financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by the following:

NORA A. BITONG
Chairman and President

Vincent Bitong

VINCENT R. BITONG
Director /Vice President for Finance & Business Development

GLOBAL EQUITIES, INC.

SUBSCRIBED AND SWORN to before me this APR 24 2006 day of ________ 2006 affiant(s) exhibiting to me his/her Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Nora A. Bitong	24317976	2/22/06	Makati
Vincent Bitong	20517619	1/23/06	Makati

ATTY. LOPE M. VELASCO
NOTARY PUBLIC
UNTIL DEC. 31, 2007
PTR 4547109 - MLA. 1/2/06
IBP 660381 - MLA. 11/30/05
TIN 212 - 965 - 989
ATTY'S ROLL NO. 28757

Doc. No. 09;
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Book No. 63;
Series of 2006

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

Report of Independent Auditors

The Stockholders and the Board of Directors
Global Equities, Inc.
2nd Floor, Jannov Plaza
2295 Pasong Tamo Extension
Makati City

We have audited the accompanying consolidated balance sheets of Global Equities, Inc. and Subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in capital deficiency and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Global Equities, Inc. and Subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Philippines.

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicates that the Company's operations have been affected by the downturn in the real estate industry, resulting to suspension of development activities on the land. As of December 31, 2005 and 2004, capital deficiency amounted to ₱231.5 million and ₱64.6 million, respectively. As of those dates, consolidated current liabilities exceeded consolidated current assets by ₱1,074.0 million and ₱1,169.8 million, respectively. Also, the Company was not able to settle its maturing obligations. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern.

SYCIP GORRES VELAYO & CO.

Jose Joel M. Sebastian

Jose Joel M. Sebastian
Partner
CPA Certificate No. 61687
SEC Accreditation No. 0097-A
Tax Identification No. 104-597-500
PTR No. 4181271, January 2, 2006, Makati City

April 11, 2006

GLOBAL EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31 2005	December 31 2004
ASSETS		
Current Assets		
Cash	**₱114,247**	₱117,909
Receivables - net (Notes 2 and 3)	**2,734,384**	5,893,856
Other current assets (Note 4)	**8,284,628**	10,449,072
Total Current Assets	**11,133,259**	16,460,837
Noncurrent Assets		
Land and development (Notes 2, 5, 8, 9, 18 and 21)	**829,728,185**	1,090,599,731
Investment in an associate - at cost (Note 6)	**4,999,900**	4,999,900
Property and equipment - net (Notes 7 and 9)	**–**	–
Security deposit and others (Note 16)	**26,142,833**	26,328,512
Total Noncurrent Assets	**860,870,918**	1,121,928,143
	₱872,004,177	₱1,138,388,980
LIABILITIES AND CAPITAL DEFICIENCY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 5, 8, 9 and 14)	**₱472,180,418**	₱579,010,605
Long-term debt (Notes 5, 7 and 9)	**417,500,000**	417,500,000
Payables to stockholders and related parties (Note 14)	**195,471,865**	189,706,438
Total Current Liabilities	**1,085,152,283**	1,186,217,043
Noncurrent Liability		
Deferred tax liability (Note 13)	**18,368,567**	16,794,118
Capital Deficiency		
Equity attributable to equity holders of the parent		
Capital stock	**1,961,637,701**	1,961,637,701
Deficit	**(2,217,048,627)**	(2,053,125,341)
Total equity attributable to equity holders of the parent	**(255,410,926)**	(91,487,640)
Equity attributable to minority interests	**23,894,253**	26,865,459
	(231,516,673)	(64,622,181)
	₱872,004,177	₱1,138,388,980

See accompanying Notes to Consolidated Financial Statements.

GLOBAL EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31	
	2005	2004
REVENUE		
Net sales	**₱766,333**	₱5,204,691
COSTS AND EXPENSES		
Costs of goods sold (Note 10)	**(781,167)**	(6,801,139)
General and administrative (Notes 11, 14 and 16)	**(4,610,646)**	(8,044,863)
Selling (Note 12)	**(869,560)**	(1,347,561)
	(6,261,373)	(16,193,563)
OTHER INCOME (CHARGES)		
Provision for impairment loss on land and development (Note 5)	**(184,750,102)**	–
Gain on extinguishment of liability for purchased land (Note 8)	**76,121,444**	–
Interest - net (Notes 9 and 14)	**(48,726,670)**	(49,204,878)
Reversal of accrued interest payable (Note 14)	**–**	83,078,261
Gain on disposal of property and equipment (Note 7)	**–**	11,323,698
Others - net	**(9,934)**	582,282
	(157,365,262)	45,779,363
INCOME (LOSS) BEFORE INCOME TAX	**(162,860,302)**	34,790,491
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 13)		
Current	**2,459,741**	2,095,741
Deferred	**1,574,449**	(3,415,607)
	4,034,190	(1,319,866)
NET INCOME (LOSS)	**(₱166,894,492)**	₱36,110,357
ATTRIBUTABLE TO		
Equity holders (Note 15)	**(₱163,923,286)**	₱39,162,617
Minority interest	**(2,971,206)**	(3,052,260)
	(₱166,894,492)	₱36,110,357
Basic Earnings (Loss) Per Share (Note 15)	**(₱0.08)**	₱0.02

See accompanying Notes to Consolidated Financial Statements.

GLOBAL EQUITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY

	Attributable to Equity Holders of the Parent			Minority Interests	Total Equity
	Common Stock	Deficit	Total		
Balance at January 1, 2005	**₱1,961,637,701**	**₱2,053,125,341**	**(₱91,487,640)**	**₱26,865,459**	**(₱64,622,181)**
Net loss for the year	–	(163,923,286)	(163,923,286)	(2,971,206)	(166,894,492)
Balance at December 31, 2005	**₱1,961,637,701**	**₱2,217,048,627**	**(₱255,410,926)**	**₱23,894,253**	**(₱231,516,673)**
Balance at January 1, 2004	₱1,961,637,701	₱2,092,287,958	(₱130,650,257)	₱29,917,719	(₱100,732,538)
Net income for the year	–	39,162,617	39,162,617	(3,052,260)	36,110,357
Balance at December 31, 2004	₱1,961,637,701	₱2,053,125,341	(₱91,487,640)	₱26,865,459	(₱64,622,181)

See accompanying Notes to Consolidated Financial Statements.

GLOBAL EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱162,860,302)**	₱34,790,491
Adjustments for:		
Provision for impairment loss on land and development	**184,750,102**	–
Gain on extinguishment of liability for purchased land	**(76,121,444)**	–
Interest expense	**48,727,031**	49,208,987
Write-off of refundable deposit	**159,500**	–
Interest income	**(361)**	(4,109)
Reversal of accrued interest payable	**–**	(83,078,261)
Gain on disposal of property and equipment	**–**	(11,323,698)
Depreciation and amortization	**–**	127,593
Operating loss before working capital changes	**(5,345,474)**	(10,278,997)
Decrease (increase) in:		
Receivables	**3,159,472**	1,090,851
Inventories	**–**	1,559,406
Other current assets	**(295,297)**	1,177,658
Increase (decrease) in accounts payable and other current liabilities	**(3,314,330)**	1,779,764
Net cash used for operations	**(2,481,299)**	(4,671,318)
Interest received	**361**	4,109
Income tax paid	**–**	(2,095,741)
Net cash used in operating activities	**(5,795,268)**	(6,762,950)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in security deposit and others	**26,179**	3,960,899
Proceeds from disposal of property and equipment	**–**	1,655,323
Cash provided by investing activities	**26,179**	5,616,222
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in payables to stockholders and related parties	**5,765,427**	4,520,215
Interest paid	**–**	(3,585,141)
Net cash provided by financing activities	**5,765,427**	935,074
NET DECREASE IN CASH	**(3,662)**	(211,654)
CASH AT BEGINNING OF YEAR	**117,909**	329,563
CASH AT END OF YEAR	**₱114,247**	₱117,909

See accompanying Notes to Consolidated Financial Statements.

GLOBAL EQUITIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information and Status of Operations**

Global Equities, Inc. (Parent Company or GEI) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission on April 20, 1970. The Parent Company and its subsidiaries (collectively, the Company) are involved in the purchase, development and sale of real estate properties and the production and distribution of personal, health and baby care products. The registered office address of the Parent Company is 2nd Floor, Jannov Plaza, 2295 Pasong Tamo Extension, Makati City.

The accompanying consolidated financial statements of the Company have been prepared assuming that the Company will continue as a going concern. The operations of the Company have been affected by the downturn in the real estate industry, resulting to suspension of development activities on the land. As of December 31, 2005 and 2004, the Company has a capital deficiency amounting to ₱231.5 million and ₱64.6 million, respectively. As of those dates, its current liabilities exceeded its current assets by ₱1,074.0 million and ₱1,169.8 million, respectively. Also, the Company was not able to settle its maturing obligations. These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern.

To address these difficulties, the Company continuously (a) negotiates with the creditor banks for loan restructuring or settlement through dacion en pago arrangements; (b) disposes of saleable assets; (c) implements cost-cutting programs; and (d) negotiates with prospective investors to jointly develop real estate properties.

Also, on March 1, 2004, the Board of Directors (BOD) agreed to undertake the following measures:

a. Assumption by a principal stockholder of the Parent Company, who issued a personal surety as security for the loans obtained from Equitable PCI Bank (EPCIB) and United Overseas Bank (UOB) (collectively referred to as the "Creditor Banks"), of the loans, exclusive of interest and penalties, subject to the approval by the Creditor Banks;

b. Transfer of all the Parent Company's interest in and advances to Adamson and Adamson, Inc. (AAI), a wholly owned subsidiary, and the parcel of land located at Parañaque City with an area of 50,481 square meters to the principal stockholder;

c. Conditional dacion en pago of Batangas City shoreline properties with Creditor Banks subject to the submission of transfer certificate of titles; and

d. Condonation of interest on the advances made by a principal stockholder to the Parent Company (see Note 14).

As of April 11, 2006, items (a) and (b) above have not yet materialized.

The accompanying consolidated financial statements of GEI were authorized for issue by the BOD on April 11, 2006.

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The accompanying consolidated financial statements have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS). PFRS includes both PFRS and Philippine Accounting Standards (PAS), including interpretations, as issued by the Philippine Accounting Standards Council.

These are the Company's first consolidated financial statements prepared in compliance with PFRS. The Company prepared its consolidated financial statements until December 31, 2004 in accordance with Statements of Financial Accounting Standards and International Accounting Standards.

The consolidated financial statements have been prepared on historical cost basis. The consolidated financial statements are presented in Philippine peso, which is the Company's presentation and functional currency, and all amounts are rounded to the nearest peso, except when otherwise indicated.

The Company applied PFRS 1, "First-time Adoption of Philippine Financial Reporting Standards," in preparing the accompanying consolidated financial statements, with January 1, 2004 as the date of transition. The Company applied the accounting policies set forth below to all the years presented except those relating to financial instruments. An explanation of how the adoption of PFRS has affected the reported financial position and financial performance of the Company is provided below.

Explanation of Adoption of PFRS
The adoption of PFRS resulted in certain changes to the Company's previous accounting policies. An explanation of the effects of adoption of PFRS is set forth below.

Adoption of New Standards in 2005. The Company adopted the following new and revised PAS and PFRS, which became effective for annual financial reporting period beginning January 1, 2005. Comparative presentation and disclosures have been amended as required by the standards. Adoption of these standards has no effect on the capital deficiency at January 1 and December 31, 2004.

- PAS 1, "Presentation of Financial Statements,"
- PAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors,"
- PAS 10, "Events after the Balance Sheet Date,"
- PAS 16, "Property, Plant and Equipment,"
- PAS 17, "Leases,"
- PAS 24, "Related Party Disclosures,"
- PAS 27, "Consolidated and Separate Financial Statements,"
- PAS 28, "Investments in Associates,"
- PAS 32, "Financial Instruments: Disclosure and Presentation,"
- PAS 39, "Financial Instruments: Recognition and Measurement," and
- PFRS 3, "Business Combinations."

As permitted under PFRS 1, the Company applied PAS 39 from January 1, 2005.

Standard not yet Effective

The Company did not early adopt PFRS 7, "Financial Instruments - Disclosures." The revised disclosures on financial instruments as provided by this standard will be included in the Company's consolidated financial statements when the standard is adopted in 2007. The Company expects that adoption of this pronouncement will have no significant impact on the Company's consolidated financial statements in the year of initial application.

Management's Use of Judgment and Estimates

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

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

As of December 31, 2005 and 2004, property and equipment substantially consisting of machinery and equipment and manufacturing facility and equipment under installation of AAI have been fully disposed (see Note 7).

Asset Impairment. The Company assesses at each reporting date whether there is an indication that property and equipment and land and development and investment in an associate may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset. Provision for impairment loss on land and development amounted to ₱184.8 million in 2005. No impairment loss was recognized in 2004.

As discussed in the preceding paragraph, property and equipment have been fully disposed as of December 31, 2005 and 2004 while the carrying value of land and development and investment in an associate amounted to ₱834.7 million and ₱1,095.6 million as of December 31, 2005 and 2004, respectively (see Notes 5 and 6).

Financial Assets and Liabilities. PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any changes in fair value of these financial assets and liabilities would directly affect the consolidated statements of income and changes in capital deficiency.

The carrying values of financial assets and liabilities as of December 31, 2005 amounted to ₱2.8 million and ₱1,085.2 million, respectively (see Note 20).

Allowance for Doubtful Accounts. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the aging of the accounts receivable, past collection experience and other factors that may affect its collectibility. The allowance is established through charges to income in the form of provision for doubtful accounts. In addition, accounts that are specifically identified to be potentially uncollectible are also provided with adequate allowance.

Receivables amounted to ₱2.7 million and ₱5.9 million as of December 31, 2005 and 2004, respectively (see Note 3).

Deferred Tax Assets. The Company reviews the carrying amount at each balance sheet date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

Unrecognized deferred tax assets amounted to ₱504.1 million and ₱430.5 million as of December 31, 2005 and 2004, respectively (see Note 13).

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

The Company does not have recorded provisions as of December 31, 2005 and 2004.

<u>Basis of Consolidation</u>

The consolidated financial statements comprised of the financial statements of the Parent Company and its subsidiaries as of December 31 of each year. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including intercompany profits and losses are eliminated.

Minority interests represent the interest of Mountain Ridge Executive Resort & Corporate Center, Inc. (MRERCCI) not held by the Company.

The subsidiaries are as follows:

	Place of Incorporation	Percentage of Ownership
Real estate:		
Clark Field Medical Services, Inc. and Subsidiary*	Philippines	100.00
Global Airport Business Park, Inc.*	Philippines	100.00
GEI Assets Corporation (formerly Global Airport Container Yard, Inc.)*	Philippines	100.00
Global Airport Facilities, Inc.*	Philippines	100.00
Global Airport Storage Co., Inc.*	Philippines	100.00
Global Business Park Ventures, Inc.*	Philippines	100.00
Global Clark Assets Corp. (GCAC)	Philippines	100.00
The Villages of Mountain Ridge, Inc.	Philippines	100.00
MRERCCI**	Philippines	70.00
Manufacturing:		
AAI	Philippines	99.99

* *Under liquidation.*
** *In preoperating and development stage.*

Subsidiaries are consolidated from the date in which control is transferred to the Parent Company and cease to be consolidated from the date in which the control is transferred out of the Parent Company.

Receivables
Trade receivables are carried at original invoice amounts less allowance for any uncollectible amounts. Other receivables are stated at face value less allowance for any doubtful accounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable.

Land and Development
Land and development are carried at the lower of cost or net realizable value. Costs include costs incurred for development and improvement of the properties, including capitalized borrowing costs. Net realizable value is the selling price in the ordinary course of business, less the estimated cost to complete and sell. A valuation allowance is provided when net realizable value is less than its carrying cost.

Impairment of Assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market

assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

Investment in an Associate
Investment in shares of stock of a 20%-owned associate, which is still under preoperating stage, is carried at cost, less any impairment in value.

Financial Assets and Financial Liabilities
Effective January 1, 2005, financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit and loss.

The Company recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are classified as either financial asset or financial liability at fair value through profit or loss, loans and receivables, held-to-maturity, or available-for-sale financial assets. The Company determines the classification at initial recognition and where allowed and appropriate, reevaluates this designation at balance sheet date.

a. Financial asset at fair value through profit or loss

   A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by the management at fair value through profit or loss. Derivatives are also categorized as fair value through profit or loss, except those derivatives designated and considered as effective hedging instruments. Assets classified under this category are carried at fair value in the consolidated balance sheet. Changes in the fair value of such assets are accounted for in the consolidated statement of income.

b. Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at cost or amortized cost in the consolidated balance sheet. Amortization is determined using the effective interest rate method.

c. Held-to-maturity

Held-to-maturity investments are nonderivative financial assets with fixed or determinable payments and fixed maturities wherein the Company has the positive intention and ability to hold to maturity. Held-to-maturity assets are carried at cost or amortized cost in the consolidated balance sheet. Amortization is determined using the effective interest rate method.

d. Available-for-sale

Available-for-sale financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are carried at fair value in the consolidated balance sheet. Changes in the fair value of such assets are accounted for in the statement of changes in capital deficiency.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, except investments in unquoted equity securities, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis and option pricing models. Investments in unquoted equity securities are carried at cost.

Financial assets and liabilities are classified as current if maturity or disposal is within 12 months from the balance sheet date; otherwise, they are classified as noncurrent.

Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

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

Derecognition of Financial Assets and Liabilities

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Impairment of Financial Assets

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

Available-for-Sale Investment - Carried at Cost. If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Reversal in respect of equity instruments classified as available-for-sale is not recognized in the consolidated statement of income.

Property and Equipment

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Manufacturing facility and equipment under installation represent structures under installation and are stated at cost less any impairment in value. These include cost of installation and other direct costs, and are not depreciated until such time the relevant assets are completed and put into operational use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in the consolidated statements of income in the year the asset is derecognized.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each balance sheet date.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

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

Revenue
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of real estate. Revenue from sale of real estate is recognized under the full accrual method.

Sale of goods. Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Interest. Revenue is recognized as the interest accrues.

Operating Lease
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Lease payments under operating leases are recognized as expense on a straight-line basis over the terms of the lease agreements.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until such time the assets are ready for their intended use. If the carrying amount of the assets exceeds its recoverable amount, an impairment loss is recorded.

Taxes

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

Deferred Tax. Deferred tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carryforward benefits of MCIT and NOLCO can be utilized except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

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

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

Contingencies

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

Subsequent Events

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

Basic Earnings Per Share
Basic earnings per share is computed by dividing net income by the weighted average number of shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared.

Segment Information
For management purposes, the Parent Company and its subsidiaries are organized into two major operating entities namely, real estate and manufacturing. The entities are the bases upon which primary segment information is reported. Financial information on business segments is presented in Note 22.

3. Receivables

This account consists of:

	2005	2004
Trade	**₱1,920,763**	₱6,859,535
Advances to officers and employees	**24,744**	762,805
Deposits from suppliers and contractors	**–**	85,828
Others	**2,062,286**	2,358,894
	4,007,793	10,067,062
Less allowance for doubtful accounts	**1,273,409**	4,173,206
	₱2,734,384	₱5,893,856

4. Other Current Assets

This account consists of:

	2005	2004
Creditable withholding tax	**₱5,599,145**	₱8,033,177
Input value added tax	**2,572,268**	2,278,427
Others	**113,215**	137,468
	₱8,284,628	₱10,449,072

5. Land and Development

This account consists of:

	2005	2004
Balance at beginning of year	**₱1,778,023,958**	₱1,778,023,958
Movement during the year (see Note 8)	**(76,121,444)**	–
Balance at end of year	**1,701,902,514**	1,778,023,958
Less impairment loss	**872,174,329**	687,424,227
	₱829,728,185	₱1,090,599,731

An appraisal of the land and development was made in 2005 to estimate the net realizable value. The appraisal, which was based on fair market value, resulted to recognition of impairment loss amounting to ₱184.8 million in 2005. The fair market value was based on an open market value, supported by market evidence in which assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's-length transaction.

Accumulated capitalized interest included as part of land and development amounted to ₱52.5 million as of December 31, 2005. There were no capitalized interest in 2005 and 2004.

Development activities on the land has been suspended since 2001 due to the downturn in the real estate industry. As discussed in Note 9, certain portion of land and development is a subject of a dacion en pago arrangement with EPCIB. Other land and development are also being offered for dacion en pago to settle other long-term debt.

6. Investment in an Associate

Investment in an associate, which is carried at cost, represents investment in Sacobia Hills Development Corporation (SHDC), a 20%-owned associate and still in preoperating stage.

7. Property and Equipment

As of December 31, 2005 and 2004, property and equipment substantially consisting of machinery and equipment and manufacturing facility and equipment under installation of AAI have been fully disposed.

On February 23, 2004, the Parent Company, AAI and EPCIB agreed on a dacion en pago arrangement of AAIs' manufacturing facility and equipment under installation with carrying value of ₱195.5 million as of December 31, 2003 as settlement of the Parent Company's long-term debt amounting to ₱169.3 million and AAI's bank loans amounting to ₱26.2 million.

8. Accounts Payable and Other Current Liabilities

This account consists of:

	2005	2004
Trade	**₱139,828,890**	₱115,074,128
Accrued interest (see Notes 9 and 14)	**260,844,211**	246,254,968
Nontrade	**54,564,444**	46,994,928
Liability for purchased land (see Note 5)	–	152,242,888
Others	**16,942,873**	18,443,693
	₱472,180,418	₱579,010,605

On April 25, 2005, a Memorandum of Agreement (MOA) was signed by the Parent Company with former land owners of the Soro-soro properties in Batangas City for a joint undertaking. The MOA included the non-payment of the remaining balance of the liability of the Parent Company to the former land owners of ₱152.2 million, resulting to an undivided interest over the property of

80% for the Parent Company and 20% for the former land owners. This resulted in the reduction of the Parent Company's ownership over the property by 20% and corresponding decrease in the land and development by ₱76.1 million in exchange for the extinguishment of the remaining balance of the liability of ₱152.2 million. Gain on extinguishment of liability for purchased land amounted to ₱76.1 million. The MOA also included possible development of the land by entering into a joint venture agreement with a prospective developer and sale of the developed lots wherein the Parent Company and former land owners will share in the net proceeds in accordance with the target land ownership.

9. Long-term Debt

This account consists of:

	2005	2004
Parent Company		
EPCIB (Payable in 13 equal quarterly installments up to March 2004 with interest based on prevailing market rates and subject to quarterly review)	**₱116,000,000**	₱116,000,000
UOB (Restructured bank loans with interest based on 91-day Treasury Bills reference rate plus 4%; 25% of the outstanding principal, payable over 48 equal quarterly installments starting October 31, 2000 and remaining 75%, payable in lump sum on the 48th month)	**231,500,000**	231,500,000
Subsidiary		
Payable in eight equal quarterly installments up to 1999 with interest at prevailing market rates	**70,000,000**	70,000,000
	₱417,500,000	₱417,500,000

As of December 31, 2005 and 2004, the Parent Company and a subsidiary are in default in the payment of principal and interest due. Accordingly, the related loans are presented in the "Current Liabilities" section of the consolidated balance sheets.

As mentioned in Note 7, on February 23, 2004, the Parent Company, AAI and EPCIB agreed on a dacion en pago arrangement of AAIs' manufacturing facility and equipment under installation with carrying value of ₱195.5 million as of December 31, 2003 as settlement of the Parent Company's long-term debt amounting to ₱169.3 million and AAI's bank loans amounting to ₱26.2 million.

The loan with EPCIB has been considered for settlement through a dacion en pago arrangement under a MOA entered into between the Parent Company and EPCIB on April 23, 2002. Under the MOA, the loan of the Parent Company will be settled in exchange for land and development with carrying value of ₱108.9 million as of December 31, 2005 and 2004. The MOA also included the waiver of accrued interest expense. Also, as agreed with EPCIB, interest expense on the loan has not been recognized starting 2002. As of April 11, 2006, the dacion en pago arrangement has not yet been finalized pending the transfer of land titles to the Parent Company of the land and development that are subject of dacion en pago arrangement.

The remaining other loan of the Parent Company is secured by a mortgage on land and development with a carrying value of ₱334.2 million as of December 31, 2005 and 2004. Shares of stock owned by the Parent Company and Parent Company's shares of stock owned by a principal stockholder are also pledged to secure the loan. Also, the loan is covered by a continuing guarantee from a principal stockholder.

The ₱70.0 million loan is collateralized by a mortgage of the subsidiary's land and development with a carrying value of ₱208.1 million as of December 31, 2005 and 2004.

10. Cost of Goods Sold

This account consists of:

	2005	2004
Direct materials used	**₱781,167**	₱6,431,758
Direct labor	–	109,623
Manufacturing overhead	–	259,758
	₱781,167	₱6,801,139

Included in manufacturing overhead are depreciation and amortization charges amounting to nil in 2005 and ₱0.1 million in 2004.

11. General and Administrative Expenses

	2005	2004
Rent (see Notes 14 and 16)	**₱1,254,600**	₱75,000
Professional fees	**1,084,799**	3,004,090
Salaries and employee benefits	**656,108**	870,381
Membership dues	**404,960**	100,000
Insurance	**286,459**	85,143
Communications, light and water	**189,346**	152,015
Taxes and licenses	**169,830**	1,285,968
Office supplies	**16,751**	22,539
Travel and transportation	**15,122**	55,719
Entertainment, amusement and recreation	**3,513**	5,235
Repairs and maintenance	–	64,954
Depreciation and amortization	–	31,033
Others	**529,158**	2,292,786
	₱4,610,646	₱8,044,863

12. Selling Expenses

	2005	2004
Advertising and promotion	**₱864,932**	₱1,344,135
Repairs and maintenance	**4,628**	3,426
	₱869,560	₱1,347,561

13. Income Taxes

The Company's deferred tax liability as of December 31, 2005 and 2004 consists of capitalized interest amounting to ₱18.4 million and ₱16.8 million, respectively.

The components of the temporary differences and carryforward benefits of NOLCO and MCIT, for which no deferred tax assets have been recognized, are as follows:

	2005	2004
NOLCO	**₱530,363,963**	₱598,926,569
Allowances for:		
Probable losses on land and development	**872,174,329**	687,424,227
Doubtful accounts	**1,273,409**	4,173,206
Unamortized preoperating costs	**29,104,896**	38,806,528
Accrued retirement benefit costs and others	**6,026,046**	6,026,046
MCIT	**434,176**	3,224,746
	₱1,439,376,819	₱1,338,581,322

Management believes that it is not probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

The current provision for income tax represents the regular income tax in 2005 and MCIT in 2004.

In 2005, MCIT and NOLCO of the Parent Company amounting to ₱2.4 million and ₱24.6 million were applied against regular income tax due and regular taxable income, respectively.

Details of NOLCO and MCIT are as follows:

Year Incurred	Expiry Year	NOLCO	MCIT
2003	2006	₱94,775,810	₱–
2004	2007	408,152,201	434,176
2005	2008	27,435,952	–
		₱530,363,963	₱434,176

In 2005, MCIT amounting to ₱0.6 million and NOLCO amounting to ₱70.6 million of AAI expired.

The reconciliation between the statutory tax rates and the Company's effective tax rate on income (loss) before income tax is as follows:

	2005	2004
Statutory income tax rate	**(33%)**	32%
Add (deduct):		
Change in unrecognized deferred tax assets	**35**	(35)
Tax effects of interest income already subjected to final tax and others	–	(1)
Effective income tax rate	**2%**	(4%)

The unrecognized deferred tax assets and the provision for income tax include the effect of the change in tax rates under Republic Act (RA) No. 9337 which took effect on November 1, 2005. RA No. 9337 provides that, starting November 1, 2005, the income tax rate on the taxable income of domestic corporations shall be 35% and effective January 1, 2009, the income tax rate shall be 30%. Prior to the effective date of RA No. 9337, income tax rate of domestic corporations is 32%.

14. Related Party Disclosures

Transactions with related parties include the following:

a. Significant transactions with principal stockholders and related parties, which consist mainly of interest-bearing cash advances for working capital requirements, are as follows:

Related Party		Payable to Stockholders and Subsidiaries
Principal stockholder	2005	₱159,585,342
	2004	156,229,045
Mountain Ridge Resort Development Corporation	2005	34,125,934
	2004	31,716,804
Others	2005	1,760,589
	2004	1,760,589

On March 1, 2004, the BOD approved the proposal of a principal stockholder to waive accrued interest payable of the Parent Company amounting to ₱83.1 million. The principal stockholder did not charge interest expense in 2005 and 2004.

b. The Parent Company rents an office space from Jannov Holdings Corporation, a related company. Rent expense amounted to ₱180,000 in 2005 and ₱45,000 in 2004.

c. The key management personnel of the Company are not receiving any compensation directly or indirectly for any services provided.

15. **Basic Earnings (Loss) Per Share**

The following presents information necessary to calculate earnings (loss) per share:

	2005	2004
Net income (loss) attributable to equity holders of the Parent (a)	**(₱163,923,286)**	₱39,162,617
Weighted average number of common shares (b)	**1,961,637,701**	1,961,637,701
Basic earnings (loss) per share (a/b)	**(₱0.08)**	₱0.02

16. **Lease Agreements**

On January 31, 1997, GCAC entered into a lease agreement with Clark Development Corporation (CDC) covering a land with an area of 200 hectares (subsequently amended to 140 hectares) situated at Clark Special Economic Zone. The lease is for a maximum period of 50 years from January 31, 1997, renewable for another 25 years upon mutual agreement of the parties. GCAC may sub-lease the leased property provided it has secured prior written consent of CDC. The rentals will be based on a minimum guaranteed lease or a certain percentage of gross revenues, whichever is higher. The lease agreement provides, among others, the payment of security deposit amounting to ₱24.0 million which is included in “Security deposit and others” account in the consolidated balance sheets.

As defined in the lease agreement, GCAC is entitled to non-payment of lease rentals until the leased property is made available for its use. GCAC has not made any lease payments in 2005 and 2004, in accordance with the lease agreement.

On February 21, 2006, the lease agreement was amended to reduce the leased area from 140 hectares to 86.54 hectares. Under the amended lease agreement, lease payments shall commence after grace periods of twelve months to thirty-six months from approval by CDC of the development plan or upon start of commercial operations, whichever comes first. Also, under the amended lease agreement, portion of the security deposit amounting to ₱15.6 million is to be applied against the rental for the first six months after expiration of the grace period. On March 20, 2006, a partial refund of ₱3.0 million was received by GCAC, representing excess of initial security deposit of ₱24.0 million over revised security deposit of ₱5.2 million and advance rental of ₱15.6 million.

Also, certain subsidiary leases the land and certain buildings it occupies under operating leases, which contain renewal options. Total rent expense on these leases amounted to ₱1.1 million in 2005 and ₱30,000 in 2004.

17. **Contingencies**

The Company is a party to certain cases and claims arising in the ordinary course of business. Management and the Company’s legal counsel believe that the liabilities, if any, that may result from the outcome of the cases and claims will not materially affect the Company’s financial position as of December 31, 2005 and the results of its operations for the year then ended.

18. Note to Statements of Cash Flows

In 2005, the principal noncash transaction pertains to the extinguishment of liability for purchased land amounting to ₱152.2 million.

In 2004, the following are the principal noncash transactions: (a) Manufacturing facility and equipment under installation with net book value of ₱195.5 million as of December 31, 2003 that was subjected to dacion en pago for the settlement of the Company's bank loans and long-term debt; (b) Reversal of accrued interest payable from advances by a principal stockholder amounting to ₱83.1 million.

19. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of bank loans and cash. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as receivables and payables, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk and liquidity risk. The BOD and the Company's management reviews and agrees on policies for managing each of these risks and they are summarized below:

Interest Rate Risk
The Company's financial instruments that are exposed to interest rate risk represent bank loans subject to floating interest rate prevailing at market.

Other financial instruments of the Company are noninterest-bearing, and are not therefore subject to interest rate risk.

Credit Risk
The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With regard to cash, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of cash.

Since the Company trades only with recognized third parties, there is no requirement for collateral.

Liquidity Risk
The Company seeks to manage its liquidity profile to be able to finance its expenditures and pay its liabilities with suppliers. To finance its operations, the Company uses internally generated funds and advances from its stockholders.

20. Financial Instruments

Set out below is the comparison by category of carrying values and fair values of all of the Company's financial instruments as of December 31, 2005:

	Carrying value	Fair value
Financial assets:		
Cash and cash equivalents	₱114,247	₱114,247
Receivables	2,734,384	2,734,384
Financial liabilities:		
Accounts payable and other current liabilities	472,180,418	472,180,418
Long-term debt	417,500,000	417,500,000
Payable to stockholders and related parties	195,471,865	195,471,865

Due to short-term nature of the transactions of other financial assets and liabilities, their carrying values approximate their fair values.

21. Other Matters

In 2004, a subsidiary and Sta. Lucia Realty Development, Inc. (the Developer) entered into a joint development agreement to develop and convert the subsidiary's land into an exclusive subdivision. It was agreed that the Developer shall, at its own expenses, develop the property, including preparing the survey plans and engineering designs, securing governmental permits, licenses and clearances, providing materials, equipment, labor and services and procurement of conversion or exemption clearance from the Department of Agrarian Reform.

The land is subject to a mortgage executed in favor of a bank in connection with an outstanding loan of ₱70.0 million. However, the bank interposes no objection to the execution of the joint agreement.

Also, the subsidiary and the Developer agree to a fifty-fifty percent sharing of the net proceeds from the sale of the residential lots constituting the net saleable area. The subsidiary's share in the proceeds of any sale or disposition shall be applied to the payment of the obligation secured by the mortgage until the same shall be fully paid or extinguished.

The sale of residential lots started in 2006.

22. **Segment Information**

As discussed in Note 1 to the consolidated financial statements, the Parent Company is involved in the purchase, development and sale of real estate properties and the production and distribution of personal, health and baby care products. Information with regard to the Parent Company's significant business segments are shown below:

	Real Estate		Manufacturing		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
Revenue	**₱–**	₱–	**₱766,333**	₱5,204,691	**₱–**	₱–	**₱766,333**	₱5,204,691
Net Income (Loss)	**(₱173,843,723)**	₱29,033,197	**(₱7,837,522)**	₱4,762,415	**₱17,757,959**	₱5,367,005	**(₱163,923,286)**	₱39,162,617
Other Information								
Segment assets	**₱1,357,349,037**	₱1,635,433,208	**₱6,773,466**	₱9,860,210	**(₱492,118,326)**	(₱506,904,438)	**₱872,004,177**	₱1,138,388,980
Segment liabilities	**1,258,893,837**	1,364,701,505	**682,348,723**	677,605,175	**(856,090,277)**	(856,089,635)	**1,085,152,283**	1,186,217,043
Depreciation and amortization	**–**	–	**–**	127,593	**–**	–	**–**	127,593

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

Report of Independent Auditors
On Supplementary Schedules

The Stockholders and the Board of Directors
Global Equities, Inc.
2nd Floor, Jannov Plaza
2295 Pasong Tamo Extension
Makati City

We have audited in accordance with auditing standards generally accepted in the Philippines, the consolidated financial statements of Global Equities, Inc. and Subsidiaries as of and for the year ended December 31, 2005 included in this Form 17-A and have issued our report thereon dated April 11, 2006. Our report on the consolidated financial statements includes an explanatory paragraph with respect to a material uncertainty which may cast doubt about the Company's ability to continue as a going concern as discussed in Note 1 to the consolidated financial statements. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with the Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jose Joel M. Sebastian

Jose Joel M. Sebastian
Partner
CPA Certificate No. 61687
SEC Accreditation No. 0097-A
Tax Identification No. 104-597-500
PTR No. 4181271, January 2, 2006, Makati City

April 11, 2006

GLOBAL EQUITIES, INC.
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)
FOR THE YEAR ENDED DECEMBER 31, 2005

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at end of period
Accounts Receivable							
Trade	6,859,535		2,308,221	2,630,551			1,920,763
Supplier & contractors	762,805			762,805			(0)
Officers & Employees	85,828			61,083			24,745
Others	2,358,894			296,608.25			2,062,286
Sacobia Hills Development Corporation	10,067,062	-	2,308,221	3,751,048	-	-	4,007,793
Notes Receivable							-
None							-
		-				-	-
Less: Allowance for Doubtful Accounts	4,173,206			2,899,797			1,273,409
	5,893,856	-	2,308,221	851,251	-	-	2,734,384

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GLOBAL EQUITIES, INC.
SCHEDULE C - NONCURRENT MARKETABLE EQUITY SECURITIES,
OTHER LONG-TERM INVESTMENTS IN STOCK, AND OTHER INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE		
Name of Issuing Entity and description of Investments	Number of shares or principal amount of bonds and notes	Amount in Pesos	Equity in earnings (losses) of investees for the period	Others	Distribution of earnings by investees	Others	Number of shares or principal amount of bonds and notes	Amount in Pesos	Dividends Received/ Accrued from Investments Not Accounted for by the Equity Method
At Cost									
Sacobia Hills Development Corporation	49,999.00	4,999,900.00					49,999.00	4,999,900.00	
Investments in Real Estate		1,778,023,959.00				76,121,443.50		1,701,902,515.50	
Less allowance for possible losses		687,424,228.00		184,750,102				872,174,330.00	
		1,090,599,731.00		(184,750,102)		76,121,443.50		829,728,185.50	
	49,999.00	1,095,599,631.00		(184,750,102)		76,121,443.50	49,999.00	834,728,085.50	

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GLOBAL EQUITIES, INC.
SCHEDULE E - PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2005

Classification	Beginning Balance	Additions at Cost	Retirements	Other Charges Additions Deductions	Ending Balances
Machinery and equipment under installation	13,000,000.00				13,000,000.00
	13,000,000.00	-	-	-	13,000,000.00

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GLOBAL EQUITIES, INC.
SCHEDULE E - ACCUMULATED DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2005

Classification	Beginning Balance	Additions charged to cost and expenses	Retirements	Other Charges Additions Deductions	Ending Balances
Machinery and equiment	13,000,000.00				13,000,000.00
					-
	13,000,000.00	-	-	-	13,000,000.00

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GLOBAL EQUITIES, INC.
SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

Description	Beginning Balance	Additions At Cost	Deductions		Other Changes- Additions (Deductions)	Ending Balances
			Charged to Costs and Expenses	Charges To Other Accounts		
Cost in excess of net assets of a subsidiary	-		-			-
Other Assets:						
Refundable deposits and others	26,328,512			185,679		26,142,833
Deferred income tax						-
Preoperating Expenses						-
	26,328,512	-	-	185,679	-	26,142,833

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GLOBAL EQUITIES, INC.
SCHEDULE H - LONG TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2005

Title of Issue and Type of Obligations	Amount Authorized by Indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet	Remarks
Equitable Banking Corporation -Term Loan	116,000,000.00	116,000,000.00		See Note 9 to the financial statements
Rizal Commercial Banking Corporation - Term Loan	70,000,000.00	70,000,000.00		See Note 9 to the financial statements
United Overseas Bank - Term Loan	231,500,000.00	231,500,000.00		See Note 9 to the financial statements
	417,500,000.00	417,500,000.00	-	-

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GLOBAL EQUITIES, INC.
SCHEDULE K - CAPITAL STOCK
FOR THE YEAR ENDED DECEMBER 31, 2005

Title of Issue	Number of Shares Authorized	Number of shares and issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors Officers and employees	Others
Common Stock	3,500,000.00	1,961,637,701.00			594,280,981.00	1,367,356,720.00

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