COVER SHEET

616

S.E.C. Registration Number

GOTESCO LAND, INCORPORATED

(Company's Full Name)

12 FLR. GOTESCO CORP. CTR. 1958

C.M. RECTO, QUIAPO, MANILA

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

REYNALDO B. TADENA

Contact Person

735-6901 to 20 local 303/299

Company Telephone Number

12	31	17-A		
Month	*Day*	**2005 AUDITED CONSOLIDATED FINANCIAL STATEMENTS**	*Month*	*Day*
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign
2432		

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended ……. **December 31, 2005**

2. SEC Identification Number **616** 3. BIR Tax Identification No. **301-000-283-707**

4. Exact name of issuer as specified in its charter…**GOTESCO LAND, INC.**

5. **Manila, Philippines** 6. **(SEC Use Only)**
Province, Country or other jurisdiction of incorporation or organization
Industry Classification Code:

7. **12th Floor, Ever-Gotesco Corporate Center,**
1962-70 C.M. Recto Avenue, Manila
Address of principal office **Postal Code 1001**

8. **735-69-01 loc. 299 direct line 736-26-39**
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 – Class A	**808,706,846**
Common Stock – Class B	**397,541,098**

Total	**1,206,247,944**
	==========

Amount of Debts Outstanding **P 1,761,857,954**

11. Are any or all of these securities listed on a 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 issuer:

(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 [ ]**

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

The company was originally registered with the Securities and Exchange Commission (SEC) on August 28, 1935 as Surigao Consolidated Mining Co. Inc. The Company engaged in the exploration and mining of gold, silver, copper and iron ores in Surigao del Norte and Zamboanga del Sur. Adverse and unfavorable economic condition brought about by natural calamities and the continuous decline in market prices of precious metals burdened the Company with high production costs. The Company was thereby forced to suspend its mining operations in its Siana Gold Mine in Surigao del Norte to prevent further losses. The Company's various mining projects that are either in the pre-operating or developing stage were also ceased.

In 1992, the Company changed its corporate name to Suricon Resources Corporation (SRC), with the acronym derived from its previous name. In line with the change in corporate name and the entry of the Ever-Gotesco Group, the Company, with SEC's approval, diversified into non-mining activities and amended its primary purpose to include property development with focus on leisure and resort development. The year 1996 marked the metamorphosis of Suricon Resources Corporation into a new emblem of corporate synergy – ***GOTESCO LAND, INC.***

The Company's business is to primarily engage in acquiring, developing, administering, selling, managing or otherwise dealing in real estate transactions in exchange for revenue and other considerations. At present the Company has two (2) projects, The Evercrest Cebu Golf Club and Resort, Inc. and The Chateau Royale Sports & Country Club, Inc. The Company entered into development agreement to the above-mentioned entities. (see note 6 of the Consolidated Financial Statements for detailed information)

The Company's first venture into resort development is through its acquisition of the former Ever Gotesco Holdings Corporation that is own by Mr. Jose C. Go and his family. Later renamed Multi – Resources Holding Co. Inc., this wholly-owned subsidiary's principal asset consists of proprietary shares in the 18-hole par 72 championship golf course known as Evercrest Golf Club and Resort in Nasugbu, Batangas. Multi-Resources Holdings has two property-related companies under its corporate wing, namely, Lakeboat Builders, Inc. and Megaheights Realty and Development Corp., the developer of the Evercrest Golf Club and Resort. Though these two entities have not operated for at least three years, these companies can be commissioned in the property related operations once situation in this sector will be positively indicate in the business air.

In 1997, Gotesco Land, Inc. (GLI) has underwent a corporate restructuring that led to its acquisition of ownership interest in projects principally involved in leisure and tourist estate developments and assets of Mr. Jose C. Go, Gotesco Properties, Inc. (GPI) and Golden Bay Resort, Inc. (GBRI) through the share-for-swap arrangements broken down as follows:

Share-for-share swap

- 100% interest in Nasugbu Resort, Inc. (NRI) and its interest in Allamanda Resort, Inc. (ARI) whose projects include the Evercrest Whitecove Resort and the Whitecove Marina Hotel.
- 100% interest in Gulod Resort, Inc. (GRI) and its Evercrest Batulao Mountain Resort project.

Property-for-share swap

- 100% interest in the leasehold rights and leasehold improvements on Chateau Royale Sports and Country Club Project.
- Real properties in San Jose del Monte, Bulacan otherwise known as the Evergreen Heights Subdivision Project.

- Real Properties of Golden Bay Resort, Inc. (GBRI) covering a 58,310 sq. m. property in Nasugbu, Batangas.

Included in the aforementioned, the real property of Mr. Jose C. Go, covering a 1,188 sq. m. lot in Nasugbu, Batangas and GPI's rights in the joint venture for the Evercrest Cebu Golf Club and Resort development in Cebu, were transferred to the company. On July 10, 1997, SEC approved the increase of the company's authorized capital stock from P1.0 Billion to P2.5 Billion and the change in the par value from P.01 to P1.00 per share. To reciprocate the transfer of the above- mentioned assets, GLI issued shares to Mr. Jose C. Go, GPI and GBRI. The asset-for-share swap, which carried a value of P2.80 per share, was achieved, with Mr. Go, GPI and GBRI subscribing to and paying up at least 25% of the capitalization increase. However, the titles of the Evergreen Heights Subdivision and real properties of Golden Bay Resort, Inc. had not been transferred yet and thus were not included in the company's corporate structure.

The real estate industry sector is gradually recovering from the worldwide economic crisis. The company and its subsidiaries for the last three years have continuously doing activities although at a slower pace.

The parent company (GLI), as a property developer, is currently developing two (2) real estate projects, The Chateau Royale Sports & Country Club, Inc. in Nasugbu, Batangas and the Evercrest Cebu Golf Club, Inc. in Cebu City. The significant completion of the above-mentioned projects, not to mention the consummation of obligations stated in the contract, GLI in return received non-proprietary club membership shares of these two (2) above-stated companies as a consideration. These non-proprietary shares can now be sold to public and the proceeds thereof will be for parent company's account.

Subsidiaries

<u>Multi-Resources Holding Co., Inc. (MRHCI)</u>

This is a property management corporation organized in April 1993. This wholly owned subsidiary was acquired by virtue of a share for share swap arrangement with Mr. Jose C. Go and other related stockholders as payment for the subscription of equivalent share in GLI. Its principal asset consists of proprietary shares in the 18-hole, par 72 championship golf course known as Evercrest Golf Club and Resort in Nasugbu, Batangas.

MRHCI has two property- related companies under its corporate wing. These companies have no business activities, for at least six years now, and since *property development* is not so viable or feasible currently, these companies are waiting in the wings in case the industry will show encouraging business prospects. And since these companies already identified the business risks to continue operations, e. g. high cost of construction materials and supplies, the nation's economic condition, inflation rate, glut in real estate properties etc., it has decided to meanwhile cease operational activities and let GLI to initially test the industry's waters first.

These are as follows***:***

(a) Megaheights Realty & Development Corp.

This company was registered with the SEC on April 8, 1991 to engage in real estate business. In September 1992, it entered into a joint venture agreement with Batulao Golf and Mountain Resort, Inc. (BGMRI) to develop and operate the Evercrest Golf Club Resort in Nasugbu, Batangas. In April 1993, Multi-Resources acquired Megaheights through a share-for-share-swap arrangement with Mr. Jose C. Go and other related stockholders, as payment for the latter's subscription of equivalent shares in Multi-Resources. Also during the same year, Megeheights entered into an agreement with Evercrest Golf Club and Resort, Inc. whereby it assigned its land and developments to the latter in exchange for 2,000 shares of Evercrest Golf Club and Resort, Inc. The agreement also provided that all club income (including membership dues) and expenses (including the maintenance and upkeep of the golf course project and its facilities) prior to the formal turnover shall accrue to and be for the account of Megaheights and GPI. In this development of the Club's golf course project and its facilities issued a Certificate of Completion on February 19, 1997. In May 1994, BGMRI subscribed for 12.5% of Megaheights but subsequently assigned its holdings to Multi-Resources in exchange for 34 Megaheights shares in Evercrest Golf Club and Resort, Inc. Megaheights is now 100% owned by Multi-Resources Holding Co., Inc. The company had not operating for at least six years now.

(b) ***Lakeboat Builders, Inc. (Lakeboat)***

It was incorporated on August 2, 1983 to engage in real estate business. It was acquired by Multi-Resources in April 1993, through a share-for-share swap arrangement with Mr. Jose C. Go and other related stockholders, as payment for the latter's subscription of equivalent shares in Multi-Resources. Prior to this, on January 17, 1993, Lakeboat entered into an agreement with an affiliate for the exchange of its land covering an area of 50,000 sq. m. for five (5) proprietary shares of stock of Evercrest Golf Club and Resort, Inc. This deed of exchange was formalized in 1995. Lakeboat had not operating for at least six years.

Other subsidiaries are as follows:

Nasugbu Resort, Inc.*(NRI)*

Nasugbu Resort, Inc. formerly Summit Resources, Inc. was incorporated on May 19,1993 primarily to engage in real estate and leisure/tourist estate development. On January 6, 1995, the Board of Investments approved NRI's registration as new operator of tourist accommodation facility (resort) on a preferred non-pioneer status under the Omnibus Investment Code of 1987. Prior to its fold-in into GLI via a share-for-share-swap, NRI was 96% controlled by Mr. Jose C. Go through GPI's ownership of 1,929,996 shares. The balance of 4% represented Mr. Go's direct holdings in NRI.

Significant contributions to revenue attributed to NRI were the sale of apartments and maisonettes. There were no sales attributable for the year 2003, 2004 and for the current year.

Gulod Resort, Inc.

Gulod Resort, Inc. was incorporated on June 2, 1994 primarily to engage in leisure and tourist estate development. Properties of Lakeboat Builders and Megaheights Realty were folded into GRI through GPI. These properties have now become the site of the Evercrest Batulao Mountain Resort. Prior to its fold-in into GLI via a share-for-share swap, GRI was 100% owned by Mr. Jose C. Go.

Project Cost Incurred	2003	2004	2005
	17,614,242	**34,402,886**	**28,269,813**

Project costs were attributable to the rehabilitation, renovations and construction of additional condominium rooms. Starting second half of the 2003, condominium room rentals amounting to P 638,015 were recorded. In year 2004, room accommodations earned revenues amounting to P 2,557,698. Currently revenue from room rentals decreased because the newly constructed log cabins are more attractive to guests and clients. It was down by 37.97% compared from 2004 figures or P 971,373. The current set-up of providing guests to GRI is still helping the company to generate some funds for its partial sustenance of its operating expenses. With the current redevelopment of its condominium units it is also expected to draw attention of other guests. Although minimal revenue is expected in the current year, the company forecasts that this will increase when its additional condominium units will be ready for occupancy.

There are various companies that operate with the same line of business or into construction and development of leisure facilities in the Batangas and Cebu provinces. The JAKA, for instance, a company owned by the Enrile's, is one of the major competitor as far as recreation business are concern in Tagaytay. Cebu province has also numerous companies that are into the same business. GRI is generating and deriving revenues from *rentals of its condominium units* and serves as complementary accommodation facility for its sister company's clienteles, the Chateau Royale Sports & Country Club, Inc.

Item 2. Properties

The following are the registrant's and subsidiaries' properties for resort and leisure development.

Lands located in Surigao del Norte and in Zamboanga del Sur with a total area of approximately 337 hectares are at present idle because of the cessation of mining operations. Majority of the plant and equipment in Surigao are either in unusable state or were already scrapped because of deterioration since cessation of operations. These lands are used to be part of mining operating area and the remaining are under existing mining claims. These lands have clean certificate of titles and have no ownership limitations. The registrant has no plans of acquiring additional properties in the next twelve (12) months or so.

Evercrest Batulao Mountain Resort

Located on GRI's 10-hectare property in Batulao Highlands, the Evercrest Batulao Resort offers a scenic view of the Batangas bay and the Batulao mountain range as well as proximity to the existing Evercrest Golf Course designed by Arnold Palmer. It is also blessed with cool mountain climate, dense vegetation and ancient forest. This mountain resort will feature 9 apartment blocks, 10 maisonette blocks, a clubhouse, sports facilities, a spa, a swimming pool, a groom shop and other world-class amenities. Similar to the Evercrest whitecove apartment and maisonette blocks, a typical apartment and block in the Evercrest Batulao Mountain Resort will contain 21 units while a maisonette block will contain 11 units. Each apartment, maisonette and villa will likewise be furnished with complete set of furniture and home decorations.

This property was used as collateral for the loan of Nasugbu Resort, Inc. (NRI), also a wholly owned subsidiary of Gotesco Land, Inc., who is currently in default in meeting its debt obligations, on a timely basis, in accordance with the loan agreements. A foreclosure was undertaken through public auction in which the lender bank (Land Bank of the Philippines) bought the property mortgaged. Under the foreclosure proceedings, a certificate of sale was issued to GRI with the right of redemption for one year. The redemption period had already lapsed. As a result, the two land titles were transferred under the name of the lender bank while one land title was already subdivided into 116 Condominium Certificates of Title which were all in the possession of the bank and can only be transferred to their appropriate owners after presenting their Certificate of Full Payment. On September 21, 1999, GRI and NRI filed a civil case with the court against the lender bank for the annulment of the foreclosure sale. Further, on January 27, 2000, the court issued a "Noris of Lis Pendens" on the said properties.

Evercrest Cebu Golf Club and Resort

As a joint-venture project between the Philippine Tourism Authority (PTA) and Gotesco Properties, Inc. (GPI), this calls for the rehabilitation of the existing golf course and clubhouse within PTA's 122-hectare property in Kang-Irag, Cebu. PTA, being the land contributor, granted GPI the right to develop and operate the golf course for a period of 50 years subject to renewal, at the option of GPI, for another 25 years. With the transfer of the rights to the joint venture from GPI to GLI, GLI will now assume the development of the project. Net income from the playing rights will be initially shared by GLI and PTA on a 65%:35% basis (65% GLI, 35% PTA) which will be changed to 60%:40% (60% GLI, 40% PTA) after GLI recovers its development costs. PTA is also entitled to 35% of the net annual profits from operations of whatever facilities i.e., building structures, which GLI may build on the property. Further GLI guarantees PTA a 7% return on its investments valued at P300M.

GLI shall also undertake the marketing, sale or lease of playing rights in golf course. The gold club, incorporated as Evercrest Cebu Golf and Resort Club, Inc., will issue 3,000 playing rights which entitle the members to the exclusive use of the 18-hole course designed by golf course master Nick

Price. Other membership privileges include free green fees and preferential treatment in other Evercrest Resorts. The public's access to play golf is limited to the second 18-hole course designed by David Leadbetter.

Aside from the clubhouse, which will be for the exclusive use of the members, the overall master plan calls for the development of a 308-room triple A resort hotel, convention centers, indoor and outdoor family entertainment centers, resort condos, tennis and golf academy, 200 units of privately-managed villas and others. These will likely to be done through joint ventures with adjacent property owners. With these amenities, Evercrest Cebu has the potential of a city golf course as well as a weekend resort destination.

The construction and rehabilitation of the first 18-hole golf course however, was temporarily suspended due to a "cease and desist order" issued by the Environmental Management Bureau (a government agency in charge of natural resources regulations) and a temporary restraining order issued by the Regional Trial Court of Cebu relative to Civil Case No. 24421 filed by the Philippine Tourism Authority. Any delay in the issuance of the ECC and the lifting of the TRO may delay the completion and operation thereof. However the "Cease and Desist Order" (CDO) issued by the Department of Environment and Natural Resources (DENR) continue to be in effect until the company shall have secured the necessary Environmental Clearance Certificate (ECC). The company is currently working to satisfy the requirements of the DENR and is confident that the ECC permit will eventually be issued to pave the way for the lifting of the CDO. While the application for the ECC is being processed, the company will continue to undertake minor development activities including the planting of trees, landscaping and other activities that the company believes will not violate the CDO. The minor developments works and later the major ones will be funded by the parent company, Gotesco Land, Inc. and other affiliated companies. However, with the financial difficulties that GLI and its affiliates are experiencing, funding of the project development is not expected to come substantially from internally generated funds. GLI and the company's management continue discussing with prospective investors, major contractors and other alternative feasible sources of funds, for the completion of the project. With the funding in place, and the CDO lifted, construction will resume in full blast and expected to be completed in about 24 months upon work resumption.

Project Cost Incurred	**2003**	**2004**	**2005**
	3,741,231	**17,186,809**	**2,080,394**

Chateau Royale Sports & Country Club

Chateau Royale is created particularly to extend the privileges offered by the Evercrest Resorts. With the principal objective of satisfying the leisure and relaxing needs of its members as well as their families, Chateau Royale is designed to become the first family resort in the country based on the exclusive club membership of about 2,500 members. Thus, Chateau Royale, as one-stop sports and recreation destination, will have the facilities necessary to a first class country club as well as leisure and recreational amenities for family-oriented activities. Such amenities will consist of a botanical garden, clubhouse, water-fun pool, children's lap pool, function rooms for conventions and socials, game rooms and amusement facilities, spa complex with gym and sauna, two level golf driving range, floating seafood restaurant, camping facilities and tennis courts.

Chateau Royale is located on a five-hectare leased property in Batulao adjacent to a forest reserve. The lease on this area, initially obtained by GPI from Batulao Golf Mountain Resort, Inc. (BGRMI) was assigned to GLI. The lease contract covers a period of 10 years, renewable for another five years.

With the architectural design rendered by internationally renowned Architrave Design and Planning Co. Ltd. of Singapore and the cool tropical climate of the Batulao Highlands, Chateau Royale is envisioned to be a delicate blend and harmony between man-made structures and the natural habitat of flora and fauna for a totally relaxing and invigorating family club.

Project Cost Incurred	**2003**	**2004**	**2005**
	22,657,271	**27,640,315**	**27,640,315**

The construction of some of its facilities is about 5% unfinished. The developer, Gotesco Land, Inc. (GLI) had informed the company that pursuant to development agreement between them, the project is substantially complete (95%) and are now ready for commercial operations. The partial turn over of the project had taken place third quarter of 2004. Chateau Royale generated revenues amounting to P 19.071upped by 57.38% compared last year. These revenues derived from club facilities, room accommodations, food and beverages and other revenue contributory facilities.

Competitors

Chateau Royale belongs to sports and country club/leisure industry. Its primary market target is expected to be typically the (1) members of the country's finest and elite country clubs, (2) wealthy Metropolitan Manila based residents seeking enjoyment outside the metropolis; (3) expatriates or members of foreign companies located in the country's major financial districts and (4) owners, lessees or occupants of housing unit s at the CALABARZON growth areas. While there is no recognized trends yet within the industry, the demand for a one-stop get away of the above mentioned target market to spend quality week ends and holidays with their family and friends, is fast shaping up.

Chateau Royale will compete in a family oriented one-stop get away sports and leisure destination within the CALABARZON area with a quality and satisfactory service, affordable and reasonable product and service price packages. The company will expect to compete with golf and country clubs located around CALABARZON area. The following can be considered competitors and the brief descriptions of their amenities and facilities;

Canlubang Golf and Country Club (CGCC)

CGCC is located in Canlubang, Laguna and has two (2) 18-hole courses of par 72 each. The facilities include a pro shop, main dining room with terrace, locker areas, sauna and massage facilities for both men and women, and function rooms. The club also offers racquet sports and olympic size swimming pool.

Puerto Azul Beach and Country Club (PABCC)

PABCC commenced operation in 1977. The golf course is apart of the 3,000-hectare resort complex situated in Ternate, Cavite. The facilities of the club includes tennis court, squash courts, pelota courts, badminton courts, bowling alley and amusement center, cottage rooms, poolside snack bar, beach huts and beverage outlet.

The Manila Southwoods Golf and Country Club (Southwoods)

Southwoods' 36-hole, 410 hectare golf and country club is one of the highlights of the integrated community developments encompassing approximately 410 hectares of prime properties in Carmona, Cavite. The facilities include two (2) championship golf courses and two clubhouses.

The Orchards Residential Golf & Country Club, Inc. (Orchards)

The Orchards is situated in a 131-hectare property in Dasmarinas, Cavite. It has two (2) 18 hole championship golf courses, The Legacy and The Tradition. The amenities offered include a grand golf club house, a village clubhouse, recreation center, tennis courts, badminton courts and squash courts.

Evercrest Golf Club Resort, Inc. (Evercrest)

Evercrest is located in a 60-hectare property in Nasugbu, Batangas. It has an 18 hole with par 72 golf course, hotel, clubhouse, swimming pool and other sports and recreational facilities. The hotel has conference facilities and function rooms for social gatherings.

Although the above golf courses are considered competitors, Chateau Royale will not have any principal competitor in the area of Nasugbu, Batangas. The competitors that the Company has or expects to have in the area are the within the Tagaytay City proper, where various restaurants, sports and recreational facilities are located. THIGC, JAKA Golf Course and Taal Vista are strong competitor in the area because of their proximity in the heart of Tagaytay. Evercrest Golf Club & Resort, an affiliate, cannot be considered a principal competitor but rather an ally in the business because it complements Chateau Royale.

One of a kind community set amidst a sprawling 5-hectate property in Nasugbu, Batangas, Chateau Royale offers an invigorating setting for family bonding, relaxing stressed muscles and minds or just having simple fun. It will offer the following facilities Fishing lake, Orchidarium, Painball Activity Area, Horseback Riding Trail, Mountain Bike Trail, Organic Farm, Hiking Trail, Wall Climbing Facility, Billard Hall, Restaurant, Log Cabins, Locker Rooms, Shower Rooms, Convention Hall, Theater, Videoke Rooms, Swimming Pool, Children's Playground, Campsite, Tents, Wellnesss Center, Gym and Sauna, Coffee Shop, Barber Shop, Hospital, Obstacle Course, Target Shooting Range, Salon, Spa, Computer Rooms and Sunflower Filed Lutos. Chateau Royale believes that it can effectively compete in this area.

The number of golf clubs that are being established all over the country is growing fast. This may affect the appreciation in the value of investment in the Company. However, the golf course project is situated in such a strategic location in Cebu City where competition is not intense as compared to Luzon island. In Cebu City, the only operating golf club is the Cebu Country Club, Inc. while under construction is Alta Vista Golf & Country Club. Outside Cebu City, there are two (2) golf courses under construction: Club Filipino Inc. de Cebu located in Danao City and Hacienda Mercedes Golf Club in Medellian, Cebu.

Cebu province based on the "Cebu Master Plan 2010" aims to become one of the growth centers in Asia Pacific. Plans in line with these strategies are to encourage promotional activities to attract foreign investments, to encourage growth of tourism sector, and to strengthen the market and technological linkages with the world economy. With the enhancement of Cebu as tourism destination, the proponents of the project expect that there will be high demand for the project's facilities.

Governmental/Environmental Regulation

Chateau Royale Sports & Country Club, Inc.

The company secured from the SEC a permit to sell the club membership rights and was granted the license on March 14, 1997. The Company believes that it has complied with all the applicable Philippine environmental laws and regulations. Compliance with such laws has not had, and or in the Company's opinion is not expected to have a material effect upon the Company's capital expenditures, earnings or competitive position. The company has not known or anticipated any probable government regulation that will have an effect on its business ventures.

Evercrest Cebu Golf Club & Resort, Inc.

The existing requirements of the Department of Environment and Natural Resources particularly on the Environmental Clearance Certificate of Evercrest Cebu project is currently being addressed by Gotesco Land, Inc., the project developer. Pending compliance with this requirement, development activities on the project continue to be deliberately at a measured pace. GLI remains confident that the requirement will eventually complied with. ECGRI does not project any probable governmental regulation or regulations that will have significant effect on the company's business.

Costs and effects of compliance with environmental laws

The Company expects the costs of compliance with environmental laws to be significant. Environmental compliance entails costs in purchasing equipment and additional manpower to manned and to monitor such equipment. However, the Company believes that this will have beneficial contributions not only to the company's future operations and to its stockholders but also to social and environmental commitments.

Evercrest Golf Club and Resort

GLI's initial foray in the tourism development projects was that of the 62-hectare Evercrest Golf Club and Resort in Batulao Highlands, Nasugbu, Batangas which was developed by its subsidiary, Megaheights Realty and Development Corp. It was inaugurated in June 1994 by no less than the former President Fidel V. Ramos. Managed by Banyan Tree, a subsidiary of the Wah Chang Group of Singapore, Evercrest Golf Club and Resort boasts of an Arnold Palmer-designed 18-hole 72 par championship golf course amidst the challenging terrain of the Batulao Highlands. It has became the host for Conventions and Golf destinations of some very well-known and important events, i.e. the Senators Caucus, Oh No! Its Johnny!Cup, Junior Asian RPGA Tournament, PANA Convention and Multi-National Drug Companies Seminars.

In addition, the resort features a 76-room triple-A resort hotel, which provides a magnificent view of the golf course. Save for the golf course which is accessible only to its club members who at present numbering around 1,000, the hotel and its amenities (restaurant, function rooms, swimming pool, sauna, pro-shops, tennis courts and other recreational facilities) are open to the public.

Foreclosed Properties

Allamanda Hotel, Inc.

This is five-storey, 230-room hotel project classified as a triple-A resort hotel, equivalent to a five-star city hotel. This was included in the Evercrest Whitecove project. The project was unfinished because of the difficulty in generating cash flow for the construction and development. The land and improvement thereon was foreclosed by United Coconut Planters Bank in a negotiated settlement of Nasugbu Resort, Inc.'s loan and unpaid interest.

Evercrest Whitecove Resort, Inc.

This is a 36-hectare property in Balaytigue, Nasugbu, Batangas. This is in progress construction and development of a world-class beach resort nestled between beaches and nearby cliffs. Phase I of this high-end resort consists of the construction of 17 apartment blocks, 21 maisonette blocks, 6 villa units and a world class marina. Phase II will involve additional marina facilities such as repair and dry docking of yachts. Land, with book value amounting to about P 139M, including the improvements and development cost, were foreclosed by United Coconut Planters Bank (UCPB) in full satisfaction of the mortgaged debt. The period within which the Company can redeem the properties has already expired on November 26, 2000. The Company recorded the foreclosure by offsetting the cost of the land and improvements amounting to about P 1.3 Billion against the UCPB loan plus accrued interests of about P 1.1 Billion, which resulted to a loss in foreclosure of about P200 Million. UCPB has informed the Company that it can still redeem the property within 60 days if and when a third party makes an offer to buy the property and the Company can match and equal the said offer. The said period had already lapsed.

Item 3. Legal Proceedings

Except, as discussed below, neither the Company and its subsidiaries, nor its directors and the officers is engaged in any litigation or legal proceedings of material importance pending the courts.

(a) Termination of Mine Operating Agreement dated April 26, 1994 between SRC and Phoenix Resources, Inc. which was assigned by the latter to Siana Gold Corporation.

On April 26, 1994, GLI (then known as SRC) and Phoenix Resources, Inc. (Phoenix) entered into a Mine Operating Agreement (MOA). Phoenix subsequently assigned its rights to Siana Gold Corporation (Siana). In this meeting on September 14, 1995, the Board of Directors of GLI passed a resolution terminating the MOA with Phoenix which was assigned to Siana on the grounds that Phoenix and Siana lacked the funds needed to comply with the MOA and that the feasibility study submitted economically feasible, and, hence. Phoenix and Siana failed in its obligation to come up with a viable project and study.

Siana questioned the decision of GLI to terminate the MOA and asked for arbitration. The fee being proposed by arbitrators is P2.6M. GLI refused to pay the arbitrators fees and tried to negotiate for more reasonable fees.

Siana filed Civil Case No. 96-1961 before the Regional Trial Court, Makati, Branch 65, a case for mandamus wherein Siana prayed for judgement as follows:

a. Ordering respondent to proceed to arbitration in the manner provided for under Section 10.05 of the MOA.
b. Ordering the Arbitration Panel to convene as soon as possible to resolve the petitioner's claims;
c. Ordering respondent to reimburse petitioner for attorney's fees and expenses of litigation in the amount to be proven during trial but in no case less than P 100,000.00.

GLI filed its answer where it manifested conformity to arbitration but not at the fees being charged. Siana then filed a motion for judgement on the pleadings, which GLI opposed. The motion for judgment on the pleadings is pending resolution.

GLI has not billed a single amount on that matter. GLI's fees for resisting the arbitration and if necessary representing the Company in the arbitration, which may be ordered, and in the mandamus case to compel arbitration shall be P1.0M.

(b) Ronaldo G. Esmeralda, Antonio A. Lumayag et. at. vs. SRC, NLRC S-RABX Case No. 10-06-00154096.

Complainants are former employees who instituted a class suit against GLI (formerly SRC) allegedly for non-payment and/or underpayment of separation pay, illegal dismissal, non-payment of wage order penalties, union busting and unfair labor practice. Complainants allege that sometime in February 1991, GLI announced a temporary shutdown of its workers to be deducted from whatever benefits to which the workers may be entitled, should GLI finally stop its operations. The workers allegedly continued to follow-up with GLI regarding its promise to recall its employees but GLI did not reply. Sometime in October 1995, GLI again announced another lay-off of its workers, which according to the workers appeared dubious because the CBA just expired. Complainants further allege that GLI failed to pay the penalty for the delayed implementation of Wage Order No.RX-01. Aside from the award damages, complainants also pray for the issuance of a preliminary injunction to enjoin GLI from further removing or disposing of its assets and properties.

The case is still pending before the NLRC Sub-Regional Arbitration Branch No. X of Butuan City.

(c) Deficiency Value Added Tax for 1998 (Assessment No. FAS-4-88-91-003450)

The Bureau of Internal Revenue (BIR) has issued an assessment for deficiency Value Added Tax (VAT) for the sale of gold and silver to the Bangko Sentral ng Pilipinas in the amount of P 41,056,223.29, inclusive of 25% surcharge and 20% interest. The Company has questioned the assessment on the grounds that the sale gold to the Bangko Sentral has been considered to be an export sale not subject to 10% VAT. This was in accordance with the President Directive issued on July 3, 1992 revoking BIR VAT Ruling No. 008-92 dated January 23, 1992. Presidential Directive has in the meantime been set aside. The Company's motion for reconsideration of the assessment is still pending. GLI was not handling the case. The matter was referred to GLI only in October 1996.

(d) Deficiency VAT for 1989, 1991 and 1992 (Assessment Nos. FAS-4-89-003451, FAS-4-91-8300-5073 and FAS-4-92-93-00-5074)

The Company was assessed the amount of P 27,704,723.73, P 5,792,588.88 and P 2,228,797.30 as deficiency VAT for the sale of gold and silver to the Bangko Sentral in 1989,1991, and 1992 respectively. The company has questioned the assessment on the same grounds above stated. GLI was informed of the case and handled the case before the Appellate Division of the BIR only in October 1996.

(e) Deficiency Withholding Tax for the Year 1987-89

On December 22, 1996, a warrant of restraint and/or levy was issued against GLI (then known as SRC) for the amount of P 37,910,376.76 covered by BIR Assessment Notice No. FAS-1-87-88-89/92 dated January 5, 1994. The details of the assessment are as follows:

		1986-1989
I.	Non-withholding	
	a. Interest paid on FCDU loan	P 19,159,329.71
	b. Royalty	15,149,097.80
	c. Consultancy fees	2,110,053.97
II.	Under withholding	
	a. Cash dividends	806,798.09
III.	Late remittance	6,679.31
	Total	P 37,231,949.88

Upon being informed of the levy, GLI filed a petition to lift the warrant of garnishment against GLI. The petition was granted by the BIR commissioner on December 20, 1996. The Appellate Division of the BIR received the said assessment. On July 20, 1998, the BIR reduced the aggregate deficiency withholding tax liabilities to only P5.562M payable in five (5) monthly installments starting August 1, 1998 to December 1, 1998. As of this date, the company had only paid the initial installment plus the interest incurred thereon amounting to P 1,087,778.48. The Company, since then, had defaulted in its succeeding monthly installment obligation.

(f) Philippine Tourism Authority vs. GLI, Civil Case No. 24421 for Rescission, Recovery of Possession and Damages.

A Temporary Restraining Order was issued against its developer GLI and its affiliate, GPI, on October 11, 1999, based on injunction filed by the Philippine Tourism Authority for the alleged violation and breach of contract by GLI/GPI of its assumed obligation to PTA and further demolition and obliteration of the existing golf course and facilities to a considerable extent by causing the improper and unauthorized movement of soil, trees, rocks and other sediment located therein that cause great and irreparable damage.

Subsequently, GLI/GPI offered a compromise agreement whereby GLI/GPI will buy the properties under litigation in the amount of P250 million. The compromise agreement, provide among others the cancellation of the joint venture agreement dated April 28, 1996. Although a court decision was given in favor of GLI/GPI, this is subject to the opinion of the Department of Justice and Commission on Audit. Management believes that the ultimate outcome will be in favor of GLI/GPI.

On August 15, 2000, for failure of GLI to pay the P 250M as provided in the compromise, the Court issued and Order granting PTA's prayer for the issuance of a writ of execution. On August 22, 2000, GLI filed a motion for reconsideration that before complying with respect to the payment of compromise amount, they have to deal with people who bought playing rights, landowners, farmers and other claimants over parcel of lands occupied by the golf course. The PTA opposed the said motion. In December 2000, GLI made a tender of payment of the amount of P5 M but this was refused by PTA. Again, in January 2001, GLI offered to pay PTA on a staggered basis but PTA still refused to accede to the said offer.

The Court takes judicial notice of the fact that the country has not yet recovered from Asian economic crisis of 1997 that beset many companies including the defendant's. However this crisis does not refrain GLI to close its business. GLI continue to develop the golf course and still meeting with people related to the construction. Under such circumstances the court finds it unjust and equitable to enforce the compromise agreement by means of a writ of execution against GLI. Thereby the Court finds the offer of GLI to pay the amount P 25M immediately and the balance in 8 equal quarterly installment of P 28.125M/qrtr fair and reasonable.

On March 26, 2002, PTA filed a motion to be given up to the end of April 2002 to inform the court whether to accept GLI's proposal as follows:

(1) GLI shall make a P50million down payment contemporaneous to the signing of the Revised Compromise Agreement;
(2) Within six (6) months from the date of signing, GLI shall make a second down payment of P50 million;
(3) After six (6) months from the date of payment of the second down payment, GLI shall start paying PTA quarterly installment payment of P 25 million until the whole obligation is fully and completely paid;
(4) GLI shall faithfully comply with such other terms and conditions agreed upon pertinent under circumstances.

(g) Gulod Resort, Inc. vs. Land Bank of the Phils., Civil Case No. 532 for Annulment of Foreclosure Sale plus Damages with prayer for injunction.

The plaintiff (mortgagor) mortgaged in favor of dependent three (3) properties located at Nasugbu, Batangas and covered by TCT Nos. T-72221, T-72222 and T-72224 and secured a mortgage debt with principal amounting to P 200,000,000.

On July 6, 1998, defendant through the office of Notary Public executed a Notice of Extra judicial foreclosure Sale of the properties mortgaged. Gulod Resort, Inc. claimed that it did not received a copy of the aforesaid notice and the defendant did not file with the Office of the Ex-Office Sheriff or Clerk of Court of Nasugbu, Batangas the application for the Foreclosure Sale which in effect nullifies the legality of the application for being contrary to the Administrative Order No. 3 of the Supreme Court. Furthermore the defendant has likewise failed to pay appropriate legal and docket fees required for the extra judicial foreclosure thereby rendering the entire foreclosure proceedings null and void or invalid and without legal effect.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

The principal market for the Company's common equity is the Philippine Stock Exchange. Set forth below, are high and low closing prices of the shares for each quarter within the last two fiscal years (at P1.00 par value):

Price Per Share	Class "A"		Class "B"	
(in Pesos)	High	Low	High	Low
2003				
First Quarter	**No trade**	**No trade**	**No trade**	**No trade**
Second Quarter	**No trade**	**No trade**	**No trade**	**No trade**
Third Quarter	**0.05**	**0.025**	**No trade**	**No trade**
Fourth Quarter	**0.05**	**0.032**	**No trade**	**No trade**
2004				
First Quarter	**No trade**	**No trade**	**No trade**	**No trade**
Second Quarter	**0.340**	**0.340**	**No trade**	**No trade**
Third Quarter	**0.115**	**0.048**	**0.13**	**0.45**
Fourth Quarter	**0.925**	**0.625**	**0.08**	**0.08**
2005				
First Quarter	**0.230**	**0.070**	**0.230**	**0.080**
Second Quarter	**0.110**	**0.100**	**0.115**	**0.100**
Third Quarter	**0.075**	**0.050**	**0.080**	**0.060**
Fourth Quarter	**0.063**	**0.600**	**0.110**	**0.090**
PRICE INFORMATION AS OF LATEST TRADING DATE				
2006				
March 30	**0.10**	**0.10**	**No trade**	**No trade**

Prices indicated above were traded and set based on the regular company transactions. No major business transactions of the registrant that have affected the prices of these shares either hampering or otherwise strengthening its market value.

Holders

Shown below are the top twenty (20) stockholders as of December 31, 2005;

Name of Stockholder	**Class A**	**Class B**	**Total**	**Percentage**
1. PCD Nominee*	465,909,186	217,442,480	683,351,666	49.35%
2. Gotesco Properties, Inc.**	271,594,751	23,280,166	294,874,917	21.30%
3. Jose C. Go	151,272,540	539,542	151,812,082	10.96%
4. Golden Bay Resorts, Inc.	31,281,232	-	31,281,232	2.26%
5. Jose C. Go (GOJOS001)	-	27,231,400	27,231,400	1.97%
6. Vicente C. Go	-	23,708,009	23,708,009	1.71%
7. Omnivest, Inc.	1,017,160	22,180,000	23,197,160	1.68%
8. Jose C. Go (GOJOS003)	13,703,308	6,296,692	20,000,000	1.44%
9. EBC Investment, Inc.	15,466,500	-	15,466,500	1.12%
10.Blue Stock Dev. Farms	241,412	13,557,545	13,798,957	1.00%
11.The Manila Banking Corp.	2,613,103	10,629,912	13,243,015	0.96%
12.Everland Gotesco Property	-	7,000,000	7,000,000	0.51%
13. Li Chih-Hui	3,400,000	2,700,000	6,100,000	0.44%

14. Joel S. Dy	126,456	5,473,543	5,599,999	0.40%
15. Pryce Sec., Inc.	5,016,273	15,700	5,031,973	0.36%
16. Beneficialife Insurance Co	3,600,000	900,000	4,500,000	0.32%
17. Hermilando I. Mandanas	-	4,211,985	4,211,985	0.30%
18. Belson Sec., Inc.	2,240,000	1,381,000	3,621,000	0.26%
19. Manuel Santiago &/or Ella	1,040,000	2,040,000	3,080,000	0.22%
20. Private Educ. Retirement Annuity	2,800,000	-	2,800,000	0.20%

Registered owner of shares beneficially owned by participants in the Philippine Central Depositary, a private company organized to implement an automated book entry system of handling securities transactions in the Philippines. (see below) Breakdown of particular owners of these shares were unavailable thereby voting power/rights of these shares were undeterminable.

*****Mr. Jose C. Go, as President, has the voting power for and in behalf of Gotesco Properties, Inc.***

	CLASS A	*CLASS B*	*TOTAL*	*%*
UCPB Securities, Inc.	*240,254,434*	*98,528,352*	*338,782,786*	*28.08*
PNB Securities, Inc.	*37,813,000*	*17,696,000*	*55,509,000*	*4.60*
Abacus Securities Corp.	*28,097,477*	*12,708,272*	*40,805,749*	*3.38*
PCCI Securities, Inc.	*0*	*21,004,972*	*21,004,972*	*1.74*
Angping & Associates	*16,427,990*	*3,104,010*	*19,532,000*	*1.62*
Wise Securities Phils., Inc.	*10,729,662*	*1,273,749*	*12,003,411*	*0.99*
Others	*122,527,126*	*59,725,276*	*182,252,402*	*15.11*
Totals	*455,849,689*	*214,040,631*	*669,890,320*	*55.54*

Dividends

GLI is authorized to pay dividends in cash, additional shares, in kind, or in the combination of the foregoing. Dividends paid in cash are subject to the approval of GLI's Board of Directors and no shareholder approval is required. Dividends in the form of additional shares are subject to the approval by the Board of Directors and holders of at least 2/3 of the outstanding shares, the SEC, and, for purposes of listing of additional shares, the PSE. Holders of outstanding shares on a dividend record date will be entitled to the full dividend declared without regards to any subsequent transfer of such shares.

Payment of cash dividends on the shares in the future will depend upon the GLI's earnings, cash flow, financial condition, capital investment requirements and other factors including restrictions on dividends that may be contained in the terms of outstanding loan agreements. The debt agreements of Nasugbu Resort, Inc. to United Coconut Planters Bank (UCPB) on the loans provide certain term and conditions, with respect to, among others, declaration or distribution of cash dividends and extending advances to its affiliates and/or stockholders.

The company has not declared any dividends for the last three (3) fiscal years.

Recent Sale of Unregistered Securities

In a meeting held on May 4, 1994, the Board of Directors resolved to make a call on the subscription of P 250,000,000.00, thereby increasing the paid up capital from P 750,000,000.00 to P 1,000,000,000.00. The increase in paid-up capital is to be effected initially through rights offering of one share for every three shares held to stockholders as of July 14, 1994, exercisable upon payment of 25% of the par value within 30 days from the commencement of the rights offering and the balance upon call by the Board of Directors. The shares that will not be subscribed until August 30, 1994, shall be sold to the stockholders who exercised their pre-emptive rights on a pro-rata basis.

During the regular meeting on November 17, 1994, the Board of Directors approved a call on the 25% of the unpaid subscriptions due and payable on or before January 16, 1995. All subscription receivable outstanding were collected in 1996.

Item 6. Management's Discussion and Analysis or Plan of Operation

Results of Operation

The following discussions should be read in conjunction with the accompanying consolidated financial statements and notes thereto (refer to accompanying audited financial statements). Such consolidated financial statements and notes thereto have been prepared in accordance with Philippine Generally Accepted Accounting Principles.

Major and Significant Business Transaction Changes

Year 2003

Major items for the year are as follows;

- **Probable losses on land and land development cost**

- Evercrest Cebu Golf Club and Resort, Inc.	**P 394,887,132**
- Chateau Royale Sports & Country Club, Inc.	**16,147,335**
- Nasugbu Resort, Inc.	**(61,733,523)**
	P 349,300,944

- **Provision for doubtful accounts - P 181.7-M**
- **Provision for overdue advances to suppliers and contractors – P 20.07-M and,**
- **Write-off of pre-operating expense of Chateau Royale – P 2.485- M**

Year 2004

Account Items which have significant effect in the consolidated statements are as follows:

- **The partial transfer of the parent company's real estate development costs amounting to P263,582,782, thus, the reduction in the Land and Land Development account in the balance sheet.**
- **The contra account in the books of subsidiary (Chateau Royale) translates the transfer of developments costs was the increase in the property and equipment.**
- **Creditors' Shares in the Accumulated Losses of Subsidiaries were losses incurred by subsidiaries' more than its net asset. In 2003 there were accumulated losses in the amount of P 408.819 million. Year 2004's figures decreased to P 356.542 million or down by 12.787%.**
- **Provision for doubtful accounts of P 74.372 million.**
- **Sales increased by 650.68% from P 1.954 million last year to 2004's P 14.675 million.**

Year 2005

Major factors affecting consolidated statements to wit;

- **The P 85.13 million increased in receivables. Majority contributors were advances to suppliers/contractors and trade receivables which accounted to 32.13%.**
- **Land and land developments consisting of aggregate project costs of P 40.48 million. These were costs incurred in Chateau, Gulod and Evercrest construction activities.**
- **Retention Payable, Advances from stockholders and other payables form part of the P41.775 million increases in accounts payable and accrued expenses.**
- **Increase in the creditors' share in accumulated losses of subsidiaries in excess of its investments was upped by 8.82%.**
- **Consolidated sales increased by 40.76% or P5.98 million.**

- **Various provisions on doubtful accounts (P46.220M), probable losses on input tax (P11.814M), and on value of development costs (P 37.386M)**

The Company has not entered into material commitments with regards to capital expenditures. As stated above, the working capital needs is the major reason in the non-commitments, not to mention its economic instability. But with the government's commitments to improve the economy, the registrant is optimistic that the current adverse trend will be reversed. Strong tourism is one of the factors that would turn around the company's business woes. With the government's campaign to attract foreign tourists and the local holiday economics introduced by the President, tourism would improve. The Company and its subsidiaries would be benefited if this scenario happens. The current condition of Philippine politics, will bring uncertainties and to some extent marginal inflation that would bring price increases not only on prime commodities, but also to, maybe, labor and construction materials.

Season and Cycle of Operation

The three-year period does not show any sale of real estate properties of subsidiaries. In these periods under review, there were no particular periods that point to the seasonality of operations. Any period can be as profitable or even can be unrewarding as any periods during the year. But weather, economic slump, calamities, peace and order are numerous contributory factors affecting business results.

2005 compared to 2004

Significant changes for the current year were as follows; Receivables increased by 29.13% or P85.12 million. These are advances to suppliers and contractors which were advance payments for the construction contracts and purchases, majority of which were intended for the Chateau Royale project. But there were allowance provisions given for the year or a total consolidated figure of P 53.69 million. Land and land developments account also increase by 6.29%. These were project costs for Chateau Royale (P 9.3 million), Evercrest Cebu (P2.85 million) and Gulod Resort, Inc. (P28.27 million). Valuation allowance was provided for the current year for these developments costs amounting to P 37.386 million. Increase in due to related parties amounting to P 5.5 million were extensions of funds to affiliated or associated companies.

Bulk of the increase in accounts payables and accrued expenses were liabilities incurred in connection with contracts and purchases of supplies/materials on account. The P 41.77 million is 5.1% increase compared last year. Related party transaction liabilities also acquired to finance such project upped by P106.83 million or 32.32% increase. Creditors' share in accumulated losses of subsidiaries in excess of their investments increased by P731.15 million or 204.66%.

Sales for this year improved by 40.76% from last year's P 14.675 million. Unexpectedly, cost of sales dropped to P 23.204 million from P 27.346 or 15% down. Various provisions were also given to this year that was not provided last year. These are provision on probable losses on land development costs and input taxes.

2004 compared to 2003

The partial transfer of club facilities from the developer (Gotesco Land, Inc.) to its owner (Chateau Royale) was the most significant transaction for the year 2004. The facilities with a book value of more than P 263 million increased property and equipment's consolidated net book value by 6,630.32% from P 6.988 million in 2003 to P 470.341 million at present. Included also in the property and equipment increase was the capitalized cost of Gulod Resort, Inc.'s completed building and condominium units.

The year 2004 also characterized the remarkable increase in consolidated sales of more than P 14.6 million from a measly P 1.954 million in the year 2003 or upped by 650.68%. Expectedly, cost of Sales also had gone upped by 2,025.87%. The increase can be attributed to the new club and condominium facilities that were now earning revenues. It can be also credited to the management's newly adopted marketing strategies.

Cash operating expenses decreased from P 9,129,979 in 2003 to P7,899,220 in 2004 or 13.48% decrease. Non-cash operating expenses likewise decreased from P 555.846 million in 2003 to P 79.241 million in 2004 for a reduced figure, percentage wise, by 85.74 compared last year.

Except as discussed above there are not many material or significant changes in the balance sheet and income statement accounts.

2005 RATIOS

Acid Test Ratio is 12.52%. The current ratio is 10.71% an increase of 3.06% compared last year. The cost of sale of P 23.20 million is 112.33% of total consolidated sale of P 20.657 million. The company has debt equity ratio is negative 280.83%.

2004 RATIOS

Current Ratio for the year 7.65% which were current assets over current liabilities. Acid Test Ratio was 0.967%. Debt Equity Ratio was negative 448.73%. Cost of sale is 186.34% of total consolidated sale for the current year.

2003 RATIOS

Cost of Sale is 65.80% of total sale of the current year. Current Ratio is 8.73%. Acid Test Ratio is 10.68%. Net profit margin was 28,640%. Debt to Equity Ratio is was negative 411%. Return on Equity was negative 142.99%.

Direct or contingent financial obligation and material off-balance sheet transactions.

A subsidiary (Nasugbu Resort, Inc.) obtained loans from Land Bank of the Philippines (LBP) amounting to P 200-million. The loan was secured by a real estate mortgage on a parcel of land owned by Gulod Resort, Inc. (GRI) a wholly owned company of GLI. The debt agreements contain, among others, provisions regarding restriction on the declaration or distribution of cash dividends and extending advances to its affiliates and/or stockholders. The Company defaulted on its loan agreement. Consequently, a foreclosure was effected through a public auction wherein LBP, being the highest bidder, bought the properties mortgaged. The certificate of sale provided the Company with a right to redeem the foreclosed properties owned by Gulod Resort, Inc. within one year until September 25, 1999. The redemption period had lapsed and the Company did not exercise its right to redeem the foreclosed properties. Due to non-redemption of the foreclosed properties, there is a contingent loss of about P 73 million, which is the excess of the carrying value of the property over the public auction bid price. Should the company redeem the properties, it will have to pay such bid price plus interests and penalties, subject to negotiation with LBP.

GRI filed a civil case against LBP for the annulment of the foreclosure sale on grounds of deficiencies in the foreclosure proceedings. Accordingly, the Company had not recorded in its books the foreclosure sale.

FIVE KEY PERFORMANCE INDICATORS (CONSOLIDATED PERFORMANCE)

The evident and significant key performances for the years 2003 to 2005 are:

1. **<u>The continual construction activities being undertaken by the management as part of its commitment to provide what was envisioned of all of its projects. Despite the difficulties in fund generation, management is still in quest for the best to its stockholders or investors.</u>**

2. **<u>The major and visible transactions during 2003 to 2005 were the advances extended by affiliated companies to GLI or even to Gulod Resort, Inc. to finance its construction contracts and other related operating transactions. Between 2003 and 2005, there was a consolidated increase of P 254.19 million or 138.75% increase fund support from the P 183.195 million in 2002.</u>**

3. **<u>An extraordinary item contributed in the consolidated net income. This item was the creditors' share in net losses of consolidated subsidiaries amounting to P26.31 million. There were unrecognized equity in net losses of wholly-owned subsidiaries.</u>**

4. **<u>One positive indicator the company had was the transfer of its real estate development project, the Chateau Royale in Batanges. It would now generate regular revenue from its leisure and sports facilities. This can be translated to a better business and operational activities ahead. Also, the start of commercial operation of Gulod Resort, Inc., which offers its condominiums and apartments, for local and foreign tourists, and various guests, transients and vacationers. It has also its share of the good business results. The company can commence offering its membership shares of Chateau Royale to public. Non-proprietary shares are the consideration given to GLI in exchange for the development and construction costs incurred in Chateau. Another 100% owned company, The Gulod Resort, Inc., on the other hand, is starting to contribute revenue to its parent company. One of the welcome development is the anticipated contribution of an affiliate in the marketing strategy. Evercrest Golf & Resort, Inc. will complement and enhance salability of CRSCC and GRI by offering its facilities and amenities thereby giving clienteles more leisure and convenience for them to enjoy.</u>**

5. **<u>The Company is also expecting the full construction mobilization of its other project, the Evercrest Cebu Golf Club & Resort, Inc., also a 100% owned subsidiary. The anticipated lifting of cease and desist order issued by the Department of Environment and Natural Resources (DENR) will provide the company leverage to continue its ceased construction activities. Simultaneously its personnel are busy in the working on the issuance of Environmental Compliance Certificate (ECC). With these government requirements complied with, development activities will be in full blasts and completion of this project within two or three years time, the said subsidiary can also contribute substantially to the consolidated revenue of the parent company and with the subsidiary's own operations.</u>**

<u>Plans of Operations</u>

The major plan that the management is contemplate is to advertise, introduce, promote and sell Chateau Royale, Evercrest Golf Club & Resort and Gulod Resort, Inc. 's facilities and amenities. In this concept of selling, the guests and tourists will have wider array of leisure, pleasure, fun and amusement to choose from because they will be offered each company's distinct characteristics.

The plan will definitely complement each other in terms of revenue generation, volume of sale and guests turnouts. The idea is to attract clients to enjoy and appreciate what these companies have to offer.

The nearing completion and full and final turn-over of Chateau Royale & Sports and Country Club, Inc. are one of the events that is highly anticipated. The encouraging results of commercial operations of the company are giving management the confidence to forecasts better results in the future. The management believes that when the turn over of the whole project is completed, the company will generate enough revenue to sustain its operational needs and eventually will earn more income. The management is very optimistic about the operational results because of the foreign and local tourism's upsurge in terms of volume of arrival in the country. The government is doing a fine job of promoting our country in other countries as well as to our own local tourists. This year, the management is busy preparing to sell and advertise the amenities and facilities of Chateau Royale to its members and guests. Room accommodations are being handled by Gulod Resort, Inc. (GRI) for those who opted to stay to experience the various facilities that the company has to offer. GRI is also renovating its condominium units to compliment with that of Chateau's amenities and facilities. GRI is constructing additional units to accommodate more guests and upgrading its own facilities to obtain attractive impressions. Evercrest Golf Club is a welcome development as far as tri-complementary system is concern. With this set-up, mutual benefits in terms of guests' bookings are accomplished thus the forecast revenue generation and volume of guests is attainable.

The construction progress report of the above mentioned projects are hereunder presented:

I. <u>CHATEAU ROYALE SPORTS & COUNTRY CLUB</u>

Nasugbu, Batangas

A. ***<u>SITE DEVELOPMENT</u>***

Main Road – 100% completed

Steel Gates – 100% completed

Pathways – 100% completed

Landscape Works – 100% completed

Deepwell Powered by 25 horse power submersible pump – 100% completed

Deepwell Powered by 10 horse power submersible pump – 100% completed

Main Waterline Lay -out – 100% completed

B. ***<u>FACILITIES</u>***

I. MAIN BUILDING

Main Lobby – 100% completed

Lobby Shop – 100% completed

Café/Bistro – 100% completed

Executive Lounge/Video Game Room – 98% completed

Billard Hall – 100% completed

II. FLOATING RESTAURANT

Building and Huts – 100% completed

Lagoon (1 and 2) – 100% completed

III. TWO (2) STOREY STAFFHOUSE – 100% completed

IV. FUNCTION ROOMS

Conference /Ballroom – 100% completed

Four KTV Rooms – 100% completed

120 Seater Cinema – 100% completed

V. SPA/HEALTH CENTER BUILDING – 100% completed

*C. **FEATURES AND AMENITIES***

I. Aviary – 100% completed

II. Greenhouse – 27 units completed

III. Children playground – 100% completed

IV. Orchidarium – 100% completed

V. Wall Climbing Facilities – 100%

VI. Swimming Pool Rehabilitation/Water Features – 100% completed

VII. Team Building Facilities – 100% completed

VIII. War Games Activities – 100% completed

IX. Log Cabin House – 24 units completed

D. ***RETIREMENT BUILDING – 5 LEVELS*** – 85% completed

E. ***HOSPITAL*** **–** 85% completed

Membership shares are open for public acquisition. Club facilities and its amenities are now available for members and tourists to enjoy.

CONSTRUCTION OF FRONTNINE (HOLE# 1-9)

SCOPE OF WORKS	TO DATE PERCENTAGE PER HOLE
HOLE# 1	94.88%
HOLE# 2	94.88%
HOLE# 3	94.88%
HOLE# 4	94.88%
HOLE# 5	93.41%
HOLE# 6	94.33%
HOLE# 7	93.62%
HOLE# 8	94.88%
HOLE# 9	94.88%
TOTAL PERCENTAGE FRONTNINE	**95.51%**

CONSTRUCTION OF CART PATH FRONTNINE (HOLE# 1-9)

SCOPE OF WORKS	TOTAL PERCENTAGE PER HOLE
CART PATH CONSTRUCTION	76.61%

CONSTRUCTION OF BACKNINE (HOLE# 10.18)

SCOPE OF WORKS	TO DATE PERCENTAGE PER HOLE
HOLE# 10	50.08%
HOLE# 11	26.78%
HOLE# 12	39.12%
HOLE# 13	19.17%
HOLE# 14	13.76%
HOLE# 15	23.85%
HOLE# 16	22.50%
HOLE# 17	30.64%
HOLE# 18	36.92%
TOTAL PERCENTAGE BACKNINE	**29.90%**

CONSTRUCTION OF CART PATH BACKNINE (HOLE# 10.18)

SCOPE OF WORKS	TOTAL PERCENTAGE PER HOLE
CART PATH CONSTRUCTION	0.00%

CONSTRUCTION OF STORM DRAINAGE FRONTNINE (HOLE# 1-9)

SCOPE OF WORKS	TOTAL PERCENTAGE PER HOLE
STORM DRAINAGE CONSTRUCTION	100%

CONSTRUCTION OF STORM DRAINAGE BACKNINE (HOLE# 10.18)

SCOPE OF WORKS	TOTAL PERCENTAGE PER HOLE
STORM DRAINAGE CONSTRUCTION	3.89%

REHABILITATION OF FRONTNINE TURF (HOLE# 1-9)

SCOPE OF WORKS	TO DATE PERCENTAGE PER HOLE
HOLE# 1	81.05%
HOLE# 2	98.92%
HOLE# 3	98.73%
HOLE# 4	98.73%
HOLE# 5	13.89%
HOLE# 6	14.26%
HOLE# 7	13.32%
HOLE# 8	9.30%
HOLE# 9	14.26%
TOTAL PERCENTAGE FRONTNINE	**49.16%**

REHABILITATION OF FRONTNINE (GROUND REPAIR)

SCOPE OF WORKS	TO DATE PERCENTAGE PER HOLE
HOLE# 3	100%
HOLE# 5	100%
HOLE# 6	100%
HOLE# 7	100%
HOLE# 8	100%
TOTAL PERCENTAGE	**100%**

<u>REHABILITATION OF CART PATH (FRONTNINE)</u>

SCOPE OF WORKS	TO DATE PERCENTAGE PER HOLE
HOLE# 3	100%
HOLE# 5	36.43%
HOLE# 6	26.43%
HOLE# 7	9%
TOTAL PERCENTAGE	**31.99%**

<u>REHABILITATION OF IRRIGATION LINE (FRONTNINE)</u>

SCOPE OF WORKS	TO DATE PERCENTAGE PER HOLE
HOLE# 1	100%
HOLE# 2	100%
HOLE# 3	50%
HOLE# 4	100%
HOLE# 5	50%
HOLE# 6	70%
HOLE# 7	50%
HOLE# 8	50%
HOLE# 9	50%
TOTAL PERCENTAGE	**57.33%**

The project has not started its commercial operations for the period covered by this report. The "ceased and desist" order issued by the DENR on the project developments continue to be in effect until the company shall have secured the necessary ECC permit. While the order is currently in effect and the application for the ECC clearance is being processed, the company sought and was able to secure the approval for minor development activities including planting of trees, landscaping and other activities that the company believes will not violate the order. The company continues the activity in preparation for a full blast development.

Management is confident that the ECC Permit will be finally issued. With the ECC permit in place, the company will be able to focus on its project development activity. Gotesco Land, Inc. as a developer continues to address the funding requirements of the project. GLI does not expect to raise funds from traditional sources in the next twelve (12) months however it continues to explore other alternative and non-traditional sources including arrangements with major contractors and suppliers. For the next twelve (12) months, the funding requirements for the project will continue to be provided by GLI from advances from certain affiliated companies. It is not expected to conduct product research and development, no plans of acquiring significant equipment and is not expected to have significant change in its manpower for this is provided by its parent company, GLI.

Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements, Supplementary Schedules and other Supplemental disclosures thereto inserted <u>**(see audited consolidated financial statements as of and for the year ended December 31, 2005**</u>) are filed as part of the Form 17-A.

<u>**Accounting policy and applicability of segment reporting**</u>

<u>**Segment reporting is not applicable in the case of the registrant.**</u>

IAS 14 provides the definition of a business segment and a geographical segment as follows:

"A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments."

In the case of the Gotesco Land, Inc. and Subsidiaries, both the parent and all its subsidiaries are registered and hold offices in the Philippines. The same economic environment is thereby applicable to all. As such no distinguishable segment could be determined as a geographical segment.

"A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments."

Both the Parent and all its subsidiaries are registered as real estate and land developers, as such, are subject to the same risks and returns resulting from the same local setting they move in. However included in the Group are two dormant mining branches.

IAS 14 provides that a business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and:

(a) Its revenue from sales to external customers and from transactions with other segments is 10 per cent or more of the total revenue, external and internal, of all segments; or

(b) Its segment result, whether profit or loss, is 10 per cent or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or

(c) Its assets are 10 per cent or more of the total assets of all segments.

Since both mining branches were dormant since 1991, no significant income or losses were incurred to meet the 10% threshold to qualify as a reportable segment.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.

The company had no disagreements with its accountants on accounting and financial disclosure. The company concurs with its Accountants on all matters relating to the disclosures.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

Except for items C and D, no director, executive officer, promoter or control person of the company has:

A. Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time.

B. Being found by domestic or foreign court of competent jurisdiction in any civil action, the Commission or any comparable body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated securities or commodities law, and the judgement has not been reversed or vacated.

Exceptions are as follows:

C. Some depositors of the closed Orient Commercial Banking Corporation (OCBC) filed criminal cases against some of the bank officers and directors namely – Mr. Jose C Go, who is also a director of this company, for failure of said depositors to withdraw their respective money deposits with OCBC. Some of these cases have already been dismissed.

D. Certain cases involving violations of Batas Pambansa No. 22 have been initiated against Mr. Jose C. Go are pending before various Prosecutors' Office. In some of these cases, Mr. Jose C. Go is in the process of negotiating for an amicable settlement.

As of the date of this report, the members of the Board of Directors and the incumbent executive officers and their business experiences for the last five (5) years are as follows:

JOSE C. GO

Chairman / President/Chief Executive Officer/Director

Mr. Go, **59** years old, **Filipino**, pursued his undergraduate studies at the University of Santo Tomas and honed his entrepreneurial skills through his exposure in the operations of their family-owned corporations. He is Chairman, President and Director of Megaheights Realty and Development, Inc., Orient Development Properties, Inc. and Ever Gotesco Resources and Holdings, Inc. He is also Chairman and CEO of Gotesco Tyan Ming Development, Inc. In addition, Mr. Go is also the President of Ever Emporium, Inc., Gulod Resort, Inc. GMCC United Development Corp., Ever Plaza Inc., Ever Center, Inc., Ever Commonwealth Center, Inc., and Nasugbu Resort, Inc. .He is likewise currently a director of Go Tong Electrical Supply Co. Inc., Ever Electrical Manufacturing Inc., Gotesco Investment Inc., Tesco Realty, Inc., United Development Services Corp., Rural Bank of Subic, Inc., Consolidated Ventures, Inc., Ever Agriculture Industries, Inc., Gotesco Services, Inc., Gotever Industrial Development Corp., Infocom Communications Networks, Inc., Philippine China Automotive Service, and XD Ever Transformer Service Corp.

Period & Term of Office: First became a director in 1993 and hold over as a director since the time of his election. He was elected chairman in 1993 and held the position up to July 1995. Elected President and holds the position up to the present.

EVELYN C. GO
Director

Evelyn C. Go, **52** years old, **Filipino**, graduated in 1972 from Philippines School of Business Administration with the degree in Business Administration major in Management. She is the President of Gotesco Tyan Ming Development Corporation, Director-Treasurer of several companies in the Ever-Gotesco Group, and Chateau Royale Sports & Country Club, Inc.

Period & Term of Office: First became director in 1998 and hold over as director since.

JOSE V. ROMERO, JR.
Director

Mr. Romero, **71** years old, **Filipino**, graduated from Cambridge University with a degree in Bachelor of Arts in Economics and History. He likewise holds a Masters Degree from Cambridge University and postgraduate studies at Georgetown University. Mr. Romero has served both in the government and private sectors. He was Ambassador to Italy and to the Food and Agricultural Organization (FAO) and International Fund for Agricultural Development (IFAD) of the United Nations. He was also a former Chairman of the Philippine Coconut Authority and Consultant to the National Economic Council. At present, Mr. Romero is the President of the Coconut Industry Investment Fund and a Director of United Coconut Planters Bank. He is also the Managing Director of Manila Equities

Corporation and a Board Member of Dumaguete City Development Bank and Southeast Asia Advisory Board Rolls-Royce International.

Period & Term of Office: First became director in 1992 and hold over as a director since 1992 election of directors.

MACARIO U. TE
Independent Director

Mr. Te, **76** years old, **Filipino**, is concurrently the President of Linkwealth Construction Corp. and Macte International Corp. He is likewise a Director of Traders Royal Bank, Traders Hotel, and Orient Petroleum Development Corp.

Period & Term of Office: Became a director in 1994 and hold over as a director since.

PAUL R. DAZA
Independent Director

Atty. Daza, **44** years old, **Filipino**, obtained his Juris Doctorate from the University of California in Los Angeles (UCLA) School of Law in 1987 and was admitted to the State Bar of California in 1998. He is likewise obtained his Bachelor of Arts in Economics/Business (cum laude, dean's list) from the same university in 1984. At present, he is the Vice President for Corporate and Legal Affairs of Metro Rail Transit Corporation. He was likewise previously connected with Price Waterhouse, Arthur Andersen and Company and Security Pacific National Bank.

Period & Term of Office: Appointed director on January 1997 to replace Mr. Julio Dy.

CRISTINA G. ARAGON
Director

Cristina Aragon, **53** years old, **Filipino**, elected as Director on September 25, 1998 to fill in the vacancy in the Board due to the resignation of Mr. Gilberto O. Teodoro Sr., and will hold office until the unexpired term of her predecessor. Principal Occupation : Director and Treasurer of Ever Emporium Inc., Ever Shoppers, Inc., Ever Price Club, Inc., Lakeboat Builders, Inc., Megaheights Realty and Development Corp., and Multiresources Holding Company, Inc. She is presently the Chief Accountant of Go Tong Electrical Supply Co., Inc., Gotesco Investments, Inc., and Ever Electrical Manufacturing, Inc.

Period and Term of Office: Elected on September 25, 1998.

LOURDES G. ORTIGA
Director

Lourdes G. Ortiga, **49** years old, **Filipino**, elected as Director on September 25, 1998 to fill in the vacancy in the Board with the resignation of Mr. Inocencio B. Daza, Jr. and will hold office until the unexpired term of her predecessor. Principal Occupation : Director and Corporate Secretary of Gotesco Tyan Ming Development, Inc., Gotesco Properties, Inc., Ever Shoppers, Inc., Tropical Parks, Inc., Gusset Realty and Development Corporation and Revere Realty and Development Corporation. Director of Ever Emporium, Inc., Ever Plaza., Ever Commonwealth Center, Inc., Edver Center, Inc., Pricemart Trading Philippines, Inc., Primeworld Management Services, Inc., and Ever Price Club, Inc. Presently, Ms. Ortiga is the Vice President for Marketing Communications Services of the Ever Gotesco Group of Companies.

Period and Term of Office: Elected on September 25, 1998

ARTURO M. GARCIA
AVP-Controller

Mr. Garcia, **56** years old, **Filipino**, is a Certified Public Accountant. He obtained his Degree in Bachelor of Science in Commerce from the University of Pangasinan in 1972. He joined the Ever Gotesco Group in July 1995, and presently occupies the position of AVP-Controller of Gotesco Properties, Inc. and Ever Gotesco Resources & Holdings, Inc. until January 24, 2001. Prior to joining Ever Gotesco Group, he was with Ley Construction and Development Corp. and its affiliated companies where he stayed for 7 years having occupied various management positions, the latest of which was Head of Project Controllership Group. He had thirty (30) years of extensive work experiences and training in the field of accounting, internal auditing, finance, and other fields related to his discipline having occupied various sensitive management positions in various companies in different lines of business from trading, manufacturing, manpower, mining, real estate to construction and development.

Period & Term of Office: Appointed in his current position January 2001.

Employees

The parent company's head office retains 5 personnel (an administration manager, systems manager, accounting manager, an accounting staff and utility personnel) At the moment these employees are responsible for whatever work requirements are needed in the internal transactions of the company as well as various government-imposed reportorial requirements**. The registrant and subsidiaries consider all its employees as an important contributor to its business endeavor and integral part of the organization. The management believes that significant dependency on a single or group of employees does not exist at this time.** For the next twelve (12) months, the Company believes that it does not need additional employees since the project development is deliberately slowed down due to financing difficulties. There is no existing Collective Bargaining Agreement (CBA) between the employer and employees. The CBA expired last April 1, 1995.

Family Relationships

Three of the directors, Ms. Lourdes G. Ortiga , Ms. Cristina G. Aragon , and Ms. Evelyn C. Go, are siblings of the Chairman of the Board and President Mr. Jose C. Go. Ms. Elvy T. Go is his spouse.

Item 10. Executive Compensation

The following table summarizes certain information regarding compensation paid or accrued during the last two fiscal years and to be paid in the ensuing fiscal year to the Company's Chief Executive Officer and other most highly compensated executive officers.

Name and Principal Position	2003	2004	2005	2005 (Projected)
Jose C. Go President/Chief Executive Officer/Director	P 0.666M	P 0.666M	P 0.666M	P 0.666M

Compensation of Directors

Directors and officers of the company are given fees of P 5,000.00 (net of withholding tax) each for every regular and special board meeting actually attended, and in addition thereto, the Board of Directors shall be entitled to receive an additional compensation to be divided among the Directors in proportion to their attendance at the meeting of the Board during the corresponding year as follows (as amended on July 29, 1971)

- ¼ of 1% of the net profit, if the net profit is below P 1,000,000.00
- ½ of 1% of the net profit, if the net profit is over P 1,000,000.00
- ¾ of 1% of the net profit, if the net profit is over P 2,000,000.00

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

The names and addresses of all persons owning of record more than five percent (5%) of the aggregated outstanding capital stock of GLI are as follows:

Class	Name and Address of Record/Beneficial Owner	Amt and nature Of Record ®/Beneficial Ownership	%
Common A	Jose C. Go – **Filipino – Co. President of the Issuer** 1129 Concepcion, Ermita, Mla.	R 164,975,848	11.91 %
Common B	Jose C. Go – **Filipino – Co. President of the Issuer** 1129 Concepcion, Ermita, Mla.	R 34,067,634	2.46 %
Common A	Gotesco Properties, Inc.-**Filipino Company–Major Stockholder** 1958 C.M. Recto, Mla.	R 271,594,751	19.61 %
Common B	Gotesco Properties, Inc **Filipino Company–Major Stockholder** 1958 C.M. Recto, Mla	R 23,280,166	1.68 %
Common A	PCD Nominee Corp. G/F Makati Stock Exchange, Makati	R 451,555,650	32.61 %
Common B	PCD Nominee Corp. Makati Stock Exchange, Makati	R 215,222,748	15.54 %

Security Ownership of Management

Shown below are the numbers of shares beneficially owned by GLI's directors and executive officers as of December 31, 2005:

Title of Class of Share	Name & Address of Record/Beneficial Owner	Amount&Nature of Record/Beneficial Ownership	Percentage
Common A	Jose C. Go - **Filipino** 1129 Conception, Ermita, Mla.	R 164,975,848	11.91%
Common B	Jose C. Go - **Filipino** 1129 Concepcion, Ermita, Mla.	R 34,067,634	2.46 %
Common A	Jose V. Romero – **Filipino** CrisantaTower,Javier,PasayCity	R 1,001	0.00 %
Common A	Macario Te - **Filipino** 21Antipolo St., Pasay City	R 2,000	0.00 %
	All executive officers and directors as a group – **All Filipino citizens**	199,046,483	14.38 %

Voting Trust Holders

GLI is not a party to any voting trust. No shareholder of the Company holds more than 10% of its outstanding capital stock through a voting trust or other similar agreements.

Item 12. Certain Relationships and Related Transactions

Nature of related party transactions are advances and loans (both interest and non-interest bearing loans). These transactions are inter-company, business related and common extending of funds, kinds and intangibles between subsidiaries, affiliates, stockholder and other related parties. Notable among these transactions were, funds extended by a stockholder and by affiliated companies, to sustain the continuing construction activities. The net-increase in the due to/from various affiliated companies' accounts is more than P 100 million. (Note 4) Although no determined policy was adopted in the related party transactions, arm's length can be construed as the policy being adopted since majority of these are non-interest bearing and have no specific repayment terms. Outstanding balances are tabulated in note 4 of the consolidated financial statements.

PART IV – Exhibits and Reports on SEC Form 17- C

(a) Exhibits

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

(b) Reports on SEC Form 17-C

<u>No reports on Form 17-C (Current Report) have been filed during the last (6) six months of the year 2004.</u>

<u>CORPORATE GOVERNANCE</u>

The company's designated compliance officer constantly communicates with various department heads and officers to inquire about the compliance and adherence of each employee in the corporate governance's provisions. The company, beforehand, distributed copies of corporate governance manuals to various officers of the company and disseminate information regarding its importance in the organization and to their subordinates. With the propagation of this information, employees are made aware of rules and regulations, provisions, prohibitions, and penalties that are being instituted by the company. There were no reported deviations from the adopted Corporate Governance Manual by any member of the Board, management, officers and employees of the company. The manual is reviewed from time to time to strengthen adherence and adopt additional appropriate provisions for the company's business objectives.

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 by the undersigned, thereunto duly authorized, in the City of Manila on May 17, 2006.

_________________ Date:__________

Jose C. Go
President

_________________ Date:__________

Arturo M. Garcia
AVP – Finance & Comptroller

_________________ Date:__________

Evelyn C. Go
Acting Treasurer

_________________ Date:__________

Rudel S. Evangelista
Accounting Manager

_________________ Date:__________

Reynaldo B. Tadena
Corporate Information Officer

_________________ Date:__________

Lourdes G. Ortiga
Acting Corporate Secretary

SUBSCRIBED AND SWORN to before this 18th day of May 2006 affiance exhibiting to n their Residence Certificates as follows:

NAMES	COMMUNITY TAX CERTIFICATE NO.	DATE OF ISSUE	PLACE OF ISSUE
Jose C. Go	16866450	February 27, 2006	Manila
Arturo M. Garcia	14807293	January 06, 2006	Las Pinas City
Evelyn C. Go	16853880	February 01, 2006	Manila
Rudel S. Evangelista	27493508	April 26, 2006	Manila
Lourdes G. Ortiga	18666503	February 27, 2006	Manila
Reynaldo B. Tadena	08522025	January 05, 2006	Marikina

ATTY ANGELICO M MURE
NOTARY PUBLIC
UNTIL DEC. 31, 06
PTR NO: 6834608-1-02-06
IBP NO. 675511

DOC NO. 763
PAGE NO. 151
BOOK NO. VI
SERIES OF 2006

GOTESCO LAND, INC.
A member of the Ever-Gotesco Group of Companies

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **GOTESCO LAND, INC**. is responsible for all information and representations contained in the financial statements for the period ended December 31, 2005 and 2004. The financial statements have been prepared in conformity with accounting principles generally accepted 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 Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

KPMG Laya Mananghaya & Co., the independent auditors and appointed by the stockholders, has examined the financial statements of the company in accordance with auditing standards generally accepted in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to stockholders.

JOSE C. GO
President

EVELYN C. GO
Acting Treasurer

ARTURO M. GARCIA
AVP-Controller

Ever-Gotesco Corporate Centre
1958 C.M. Recto Avenue, Manila
Tel. 735-6901 to 20 loc. 299 Direct Line 736-2639

SUBSCRIBED AND SWORN to before me this _______ day of 1 8 MAY 2006 affian
exhibiting to me their Residence Certificates as follows:

Names	Community Tax Certificate No.	Date of Issue	Place of Issue
Jose C. Go	16866450	February 27, 2006	Manila
Evelyn C. Go	16853880	February 01, 2006	Manila
Arturo M. Garcia	14807293	January 06, 2006	Las Pinas City

Doc. No. 762;
Page No. 15;
Book No. VI;
Series of 2006;

ATTY ANGELICO M. MORENO
NOTARY PUBLIC
UNTIL DEC. 31, 06
PTR NO: 6034608-1-02-06
IBP NO. 675511

COVER SHEET

A1996-06619

S.E.C. Registration Number

GOTESCO LAND, INC. AND SUBSIDIARIES

(Company's Full Name)

12/F, Ever Gotesco Corporate Centre, 1962-70 C.M. Recto Avenue, Manila

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

Rudel Evangelista

Contact Person

735 6901

Company Telephone Number

12 31

Month *Day*

AAFS

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

GOTESCO LAND, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005 and 2004

ABCD

Laya Mananghaya & Co.
Certified Public Accountants & Management Consultants
22/F, Philamlife Tower, 8767 Paseo de Roxas
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000
+63 (2) 893 8507
Fax +63 (2) 894 1985
+63 (2) 816 6595
Internet www.kpmg.com.ph
e-Mail manila@kpmg.com.ph

PRC-BOA Registration No. 0003
SEC Accreditation No. 0004-FR-1
BSP Accredited

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Gotesco Land, Inc.
12/F, Ever Gotesco Corporate Centre
1962-70 C.M. Recto Avenue, Manila

We have audited the accompanying consolidated balance sheets of Gotesco Land, Inc. and Subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, changes in stockholders' equity (capital deficiency) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated wholly-owned Subsidiaries, which statements reflect total assets constituting 67% and 66% in 2005 and 2004, respectively, of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Subsidiaries, is based solely on the reports of the other auditors.

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 and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gotesco Land, 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.

Units 142/144 & 146/148
Ground Floor, Alpha Building
Subic International Hotel Compound
Rizal corner Sta. Rita Roads
Subic Bay Freeport Zone 2222
Philippines
Telephone +63 (47) 252 2825
Fax +63 (47) 252 2826
e-Mail subic@kpmg.com.ph

Unit 503, 5th Floor, Keppel Center
Samar Loop corner
Cardinal Rosales Avenue
Cebu Business Park
Cebu City 6000
Philippines
Telephone +63 (32) 233 9337
+63 (32) 233 9339
Fax +63 (32) 233 9327
e-Mail cebu@kpmg.com.ph

2nd Floor, Uy Building
Sen. B. Aquino Avenue
Mandurriao
Iloilo City 5000
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+63 (33) 321 3822
Fax +63 (33) 321 3823
e-Mail iloilo@kpmg.com.ph

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Bacolod City 6100
Philippines
Telephone +63 (34) 434 9225
Fax +63 (34) 434 8015
e-Mail bacolod@kpmg.com.ph

KPMG

As discussed in Note 16 to the consolidated financial statements, a subsidiary has defaulted in meeting its obligations in accordance with the loan agreements. A foreclosure of the properties used as collateral for the subsidiary's obligations was effected through public auction wherein the lender bank bought the properties mortgaged. Under the foreclosure proceedings, a certificate of sale was issued to the subsidiary, which provided the right to redeem the foreclosed properties within one year. The subsidiary has not exercised such right with the lender bank, which prompted the lender bank to transfer the title of the mortgaged properties under its name. The subsidiary had filed a civil case against a lender bank due to deficiencies in the foreclosure proceedings. Accordingly, the subsidiary has not effected in its books the foreclosure sale.

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which states that the Company and Subsidiaries are experiencing financial difficulties in generating sufficient cash flow to meet their obligations on a timely basis, to sustain their operations, and to comply with the provisions of loan agreements. These conditions, along with matters as set forth in Note 1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about their ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

LAYA MANANGHAYA & CO.

WILFREDO Z. PALAD
Partner
CPA License No. 0045177
SEC Accreditation No. 0027-AR-1
Tax Identification No. 106-197-186
BIR Accreditation No. 08-001987-6-2004
Issued July 14, 2004; Valid until July 13, 2007
PTR No. 0522713 F
Issued January 16, 2006 at Makati City

May 15, 2006
Makati City, Metro Manila
Philippines

GOTESCO LAND, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2005	2004
ASSETS		
Current Assets		
Cash	**P2,884,515**	P4,393,807
Receivables - net (Note 4)	**88,863,412**	57,428,641
Inventories - net (Note 6)	**173,814**	680,442
Total Current Assets	**91,921,741**	62,502,890
Land and Land Developments - net (Note 7)	**291,226,343**	288,133,426
Investments in Shares of Stock - net (Note 8)	**15,765,899**	15,765,899
Due from Related Parties - net (Note 5)	**5,504,462**	-
Property and Equipment - net (Notes 9 and 10)	**458,846,864**	470,341,776
Other Assets (Note 10)	**57,464,767**	55,827,576
	P920,730,076	P892,571,567
LIABILITIES AND CAPITAL DEFICIENCY		
Current Liabilities		
Accounts payable and accrued expenses (Note 11)	**P858,512,542**	P816,736,833
Income tax payable (Note 15)	**-**	10,800
Loans payable - current (Note 16)	**33,153**	363,711
Total Current Liabilities	**858,545,695**	817,111,344
Due to Related Parties (Note 5)	**437,387,967**	330,561,261
Customers' Deposits (Note 12)	**219,250,831**	218,271,133
Loans Payable - noncurrent (Note 16)	**200,000,000**	200,033,153
Estimated Liability for Real Estate Project	**-**	6,257,106
Creditors' Share in Accumulated Losses of Subsidiaries in Excess of Investment (Note 21)	**(331,981,913)**	(305,054,429)
Deferred Tax Liability (Note 15)	**46,673,461**	35,977,177
Capital Deficiency (Note 17)	**(509,145,965)**	(410,585,178)
	P920,730,076	P892,571,567

See Notes to Financial Statements.

GOTESCO LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31	
	2005	2004
SALES	**P20,657,323**	P14,675,034
COST OF SALES (Note 14)	**23,204,944**	27,346,944
GROSS LOSS	**(2,547,621)**	(12,671,910)
OPERATING EXPENSES		
Provision for doubtful accounts	**46,220,638**	74,372,541
Provision for probable losses on land development costs	**37,386,479**	-
Provision for probable losses on input tax	**11,814,032**	-
Depreciation	**9,940,740**	4,869,068
Salaries and wages	**3,905,843**	2,654,253
Professional fees	**863,418**	1,035,718
Repairs and maintenance	**803,212**	823,250
Meals and allowances	**666,667**	747,449
Advertising and promotions	**447,831**	254,041
Communications, light and water	**305,228**	219,546
Transportation and travel	**257,051**	130,842
Taxes and licenses	**250,201**	139,808
Supplies	**211,579**	96,711
Rent and utilities	**180,331**	597,722
Miscellaneous	**1,688,708**	1,199,880
	114,941,958	87,140,829
LOSS FROM OPERATIONS	**(117,489,579)**	(99,812,739)
OTHER INCOME (Note 13)	**3,305,142**	98,425,199
LOSS BEFORE INCOME TAX	**(114,184,437)**	(1,387,540)
PROVISION FOR INCOME TAX (Note 15)	**(10,696,284)**	10,800
LOSS BEFORE CREDITORS' SHARE IN NET LOSSES OF CONSOLIDATED SUBSIDIARIES	**(124,880,721)**	(1,398,340)
CREDITORS' SHARE IN NET LOSSES OF CONSOLIDATED SUBSIDIARIES (Note 21)	**26,319,934**	35,953,714
NET INCOME (LOSS)	**(P98,560,787)**	P34,555,374
Income (Loss) Per Share (Note 22)	**(P0.0817)**	P0.0286

See Notes to Financial Statements.

GOTESCO LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY

	Years Ended December 31	
	2005	2004
CAPITAL STOCK (Note 17)	**P1,206,247,944**	P1,206,247,944
ADDITIONAL PAID-IN CAPITAL (Note 17)	**130,314,269**	130,314,269
UNREALIZED LOSS ON DECLINE IN MARKET VALUE OF NONCURRENT INVESTMENTS	**(52,190,000)**	(52,190,000)
DEFICIT (Note 17)		
Balance at beginning of year	**(1,694,957,391)**	(1,729,512,765)
Net (loss) income for the year	**(98,560,787)**	34,555,374
Balance at end of year	**(1,793,518,178)**	(1,694,957,391)
	(P509,145,965)	(P410,585,178)

See Notes to Financial Statements.

GOTESCO LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	**P98,560,787**	P34,555,374
Adjustments for:		
Provision for doubtful accounts	**46,220,638**	74,372,541
Provision (reversal) for probable losses on land development costs	**37,386,479**	(75,820,062)
Depreciation	**18,512,201**	19,205,908
Provision for probable losses on input tax	**11,814,032**	-
Provision for current income tax	**10,696,284**	10,800
Creditor's share in net losses of consolidated subsidiaries	**(26,927,483)**	52,979,522
Recovery of doubtful accounts	**(973,156)**	(21,959,141)
Interest income	**(11,526)**	(19,922)
Reversal of deferred tax liability	**-**	1,295,216
Operating income (loss) before working capital changes	**(1,843,318)**	84,620,236
Decrease (increase) in:		
Receivables	**(76,682,254)**	(42,930,122)
Inventories	**506,628**	(506,628)
Increase (decrease) in:		
Accounts payable and accrued expenses	**41,401,198**	50,635,924
Customers' deposits	**979,698**	(59,375)
Estimated liability for real estate project	**(6,257,106)**	-
Cash generated from (used in) operations	**(41,895,154)**	91,760,035
Interest received	**11,526**	19,922
Net cash provided by (used in) operating activities	**(41,883,628)**	91,779,957
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in land and land developments	**(40,479,396)**	398,386,543
Increase in other assets	**(13,451,223)**	(9,271,586)
Acquisitions of property and equipment	**(7,017,289)**	(482,788,030)
Net cash used in investing activities	**(60,947,908)**	(93,673,073)
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in due to/from affiliated companies - net	**101,322,244**	48,458,365
Decrease in contracts payables	**-**	(45,384,372)
Proceeds from loans payable	**-**	396,864
Net cash provided by financing activities	**101,322,244**	3,470,857
NET INCREASE (DECREASE) IN CASH	**(1,509,292)**	1,577,741
CASH AT BEGINNING OF YEAR	**4,393,807**	2,816,066
CASH AT END OF YEAR	**P2,884,515**	P4,393,807

See Notes to Financial Statements.

GOTESCO LAND, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated financial statements relate to Gotesco Land, Inc. ("the Company") and its subsidiaries. The Company and its subsidiaries are collectively referred to as "the Group".

1. Corporate Information and Status of Operations

Gotesco Land, Inc. is the holding company of the Ever-Gotesco Group of Companies for its property development projects. Originally registered with the Securities and Exchange Commission (SEC) on August 28, 1935 as Surigao Consolidated Mining Co. Inc., the Company engaged in the exploration and mining of gold, silver, copper and iron ores in Surigao del Norte and Zamboanga del Sur.

In 1992, SEC approved the new name of the Company, Suricon Resources Corporation (SRC) which was diversified into non-mining activities and amended its primary purpose to include property development with focus on leisure and resort development.

To give focus on the new venture being undertaken by the Company, the Ever-Gotesco group converted SRC into a holding company for its property projects and renamed it Gotesco Land, Inc. in May 1996.

Since 1997, the Company's operation has been severely affected by the slump in the local real estate industry as a result of the regional economic crisis that hit the region. The Company is experiencing cash flow problems in meeting its obligations.

The consolidated financial statements have been prepared assuming that the Company and Subsidiaries will continue as a going concern. As discussed in Note 16, a subsidiary has defaulted in meeting its obligations in accordance with the loan agreements. Foreclosure of the properties used as collateral for the subsidiary's obligations was effected through public auction wherein the lender bank bought the properties mortgaged. Certain properties foreclosed were owned by other subsidiaries. Under the foreclosure proceedings, a certificate of sale were issued to the subsidiary, which provided the right to redeem the foreclosed properties within one year. The subsidiary failed to exercise its right with the lender bank that prompted the lender bank to transfer the title of the mortgaged properties under its name. The subsidiary together with another subsidiary that has ownership on the foreclosed properties, had filed a civil case against the lender bank due to deficiencies in the foreclosure proceedings. Accordingly, such subsidiary has not yet effected in its books the foreclosure sale.

As discussed in Note 7, the completion of the Company and Subsidiaries' real estate and land development projects has been delayed because of their inability to generate sufficient cash flow. The Company and Subsidiaries operations resulted to a consolidated net losses of P98,560,787 and consolidated net income of P34,555,374, for the years ended December 31, 2005 and 2004 respectively. The Group reported deficit of P1,793,518,178 and P1,694,957,391 as of December 31, 2005 and 2004, respectively. The Company and Subsidiaries' continuation as a going concern is dependent upon their ability to generate sufficient cash flow to meet their obligations on a timely basis and to obtain additional financing or refinancing as may be required.

The Company and Subsidiaries' consolidated financial statements as of and for the year ended December 31, 2005 were authorized for issue by the Board of Directors on May 15, 2006.

2. Summary of Significant Accounting Policies

The following summary explains the significant accounting policies which have been adopted in the preparation of the financial statements:

Basis of Preparation
The financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines, as set forth in the Philippine Financial Reporting Standards (PFRSs). These are the Group's first PFRS financial statements where PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, has been applied.

The consolidated financial statements are presented in Philippine Pesos and are prepared on the historical cost basis.

The Group has made use of temporary relief provided by the SEC to present a comparative format of only two (2) years for its financial statements ending December 31, 2005 as the complex PFRS are applied for the first time.

The preparation of consolidated financial statements in conformity with PFRS requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Basis of Consolidation
The consolidated financial statements include the audited accounts of the Company and the following wholly owned subsidiaries:

		Percentage of Ownership	
Name of Company	Country of Incorporation	2005	2004
Multiresources Holding Company, Inc. (MHCI)	Philippines	100%	100%
Cheteau Royale Sports and Country Club, Inc. (CRSCCI)	Philippines	100%	100%
Evercrest Cebu Golf Club and Resort, Inc. (ECGCRI)	Philippines	100%	100%
Gulod Resort, Inc. (GRI)	Philippines	100%	100%
Nasugbu Resort, Inc. (NRI)	Philippines	100%	100%

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intragroup balances and transactions between entities in the Company and Subsidiaries, including any unrealized profits and losses, are eliminated.

Adoption of New Accounting Standards

The Accounting Standards Council (ASC) approved in 2004 the issuance of revised and new accounting standards which are based on new International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and revised International Accounting Standards (IASs) arising from the improvements project of the IASB. The new and revised standards are effective for annual periods beginning on or after January 1, 2005.

Accordingly, effective January 1, 2005, the Group adopted the following PFRSs and PASs which are relevant to its operations:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards;*
- PFRS 3, *Business Combinations;*
- PAS 1, *Presentation of Financial Statements;*
- PAS 2, *Inventories;*
- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors;*
- PAS 16, *Property, Plant and Equipment;*
- PAS 17, *Leases;*
- PAS 19, *Employee Benefits;*
- PAS 21, *The Effects of Changes in Foreign Exchange Rates;*
- PAS 23, *Borrowing Costs;*
- 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 33, *Earnings Per Share;*
- PAS 36, *Impairment of Assets;*
- PAS 38, *Intangible Assets;* and
- PAS 39, *Financial Instruments: Recognition and Measurement.*

The adoption of the revised and new accounting standards in 2005 did not have a material effect in the Group's financial position, results of operations or cash flows.

Additional disclosures required by the standards, however, were included in the financial statements, where applicable.

Receivables

Receivables are stated at face value, net of allowance for doubtful accounts and any anticipated adjustments that will reduce the amount to its realizable value.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is the estimated amount of losses in the Company and Subsidiaries' receivables account based on management's evaluation of the collectibility of the receivables, after consideration of the prevailing and anticipated economic conditions, prior loss experience and subsequent collections.

The allowance for doubtful accounts is established through provisions for doubtful accounts charged to current operations and reduced by charge-offs and recoveries. Receivables are written off against the allowance when management believes that the collectibility of the receivables is unlikely. Recovery of doubtful accounts is the result of reversals of allowance previously placed on a receivable account, which were later collected or the appearance is determined to be collectible.

Inventories

Mined and milled ore are stated at production cost; material and supplies on hand and in transit are valued at average cost and invoice cost, respectively.

Land and Land Developments

Land and land developments are valued at lower of cost and net realizable value. Cost consists of acquisition cost and expenditures for the construction and land development of real estate projects.

Borrowing Costs

Borrowing costs are recognized as an expense in the statements of operations in the period in which they are incurred except for those that are directly attributable to the acquisition, construction or production of a qualifying asset. Borrowing costs, which include interest costs, foreign exchange differences to the extent that it relates to interest costs and other ancillary costs, arising from loans that are directly attributable to the costs of the Group's property under construction are capitalized as part of the asset.

Investments in Shares of Stocks

Investments in companies over which no significant influence is exercised are stated at cost. An allowance for decline in value is provided for any substantial and temporary decline in the carrying value of the investments.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation, depletion, and impairment losses, if any.

Initially, an item of property, plant and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation is computed on the straight-line method over the estimated useful lives of the various classes of assets. The useful lives and depreciation method are reviewed periodically to ensure that such useful lives and depreciation method are consistent with the expected pattern of economic benefits from those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the carrying amount and the related accumulated depreciation, depletion and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is reflected in current operations.

Deferred Exploration and Development Costs
Costs incurred in active exploration and development projects of the Company are capitalized and charged to deferred costs as incurred. Such costs are amortized by charges to operations on the basis of cost per ton extracted computed on the total development, exploration and preoperating cost divided by estimated recoverable ore reserves. The aggregate cost incurred in a project is charged to operations when it is abandoned or determined to be unproductive.

Asset Impairment
The carrying amounts of the Group's noncurrent assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of operations.

Revenue
Sales of real estate projects of the Company and Subsidiaries generally are accounted for under the full accrual method. Under this method, gain is not recognized until the collectibility of the sales price is reasonably assured and the earnings process is virtually complete. When sale does not meet the requirements for full income recognition, gain is deferred until those requirements are met. Such sales of real estate are accounted for under the percentage-of-completion method; thus, the gain is recognized as the related obligation is fulfilled.

Cost of real estate projects sold before completion of the contemplated development and construction is determined based on the actual costs incurred to date plus the estimated project cost to complete the residential units. The estimated expenditures for the development and construction of sold real estate project, as determined by the Company and Subsidiaries' technical staff and contractors, are charged proportionately to the cost of land and residential units sold with a corresponding credit to "Estimated Liability for Real Estate Project". Charges to total estimated development costs and anticipated losses, if any, are recognized and accrued in the period determined.

Sales from proprietary and nonproprietary shares of stock are recognized upon full payment of the contract price. Partial payments received are presented as "Customers' Deposits" until full payment.

Income Taxes
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the consolidated statements of income except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. Deferred tax is also provided for the carryforward of unused tax losses and unused or excess minimum corporate income tax.

A deferred tax is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings (Loss) Per Share
The earnings (loss) per share data in the consolidated statements of operations are based on the weighted average number of shares subscribed and issued during the year.

3. Management's Use Estimates

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts in the financial statements and accompanying notes. The estimates and assumptions used in the financial statements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

PAS 1, *Presentation of Financial Statements,* which was adopted by the Company effective January 1, 2005, requires disclosures about the key sources of estimation, uncertainty and judgments managements has made in the process of applying accounting policies. The following presents the summary of these significant estimates and judgments:

Determination of functional currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company is determined to be the Philippine Peso.

Estimated allowance for inventory obsolescence
The Company maintains allowance for inventory obsolescence at a level considered adequate to provide for potential obsolete inventory. The level of this allowance is evaluated by management based on the movements and current condition of inventory items.

Estimated allowance for impairment of assets
Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the asset relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. The level of this allowance is evaluated by management based on the operating ability and cash-generating capacity of these assets.

Estimated allowance for probability of collection of receivables and advances
The Company maintains allowance for probability of collection of receivables at a level considered to be adequate to provide for potential bad debts. The level of this allowance is evaluated by management based on probability of collection and the economic condition of the debtor.

Estimated useful lives of property and equipment
The Company reviews annually the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment would increase the recorded depreciation and amortization expenses and decrease noncurrent assets.

Deferred tax assets
The Company reviews the carrying amounts of deferred tax assets at each balance sheet date and reduces deferred tax assets to the extent that it is no longer probable that a sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

4. Receivables

This account consists of:

	2005	2004
Advances to suppliers and contractors	**P204,816,986**	P136,698,420
Trade	**152,651,987**	133,834,470
Others	**30,253,810**	39,534,484
	387,722,783	310,067,374
Less allowance for doubtful accounts	**298,859,371**	252,638,733
	P88,863,412	P57,428,641

One of the subsidiaries is experiencing difficulties in realizing its long-outstanding trade receivables from customers since majority of them have put their checks on hold due to foreclosures of their properties and failure of the subsidiary to distribute individual titles of condominium units. Realizability of these trade receivables is dependent on the subdivision and registration of individual titles with the Registry of Deeds. As such, a 100% valuation allowance has been provided since management believes that it is more likely that the trade receivables will not be realized in the future.

5. Related Party Transactions

This account consists of:

	Relationship	2005	2004
Amounts due from related parties:			
Majestic Plus, Inc.	Associate	**P48,751,293**	P48,751,293
Apex	Associate	**16,495,640**	16,495,640
Gotesco Properties,Inc.	Associate	**11,102,096**	11,304,514
Marsman/Gotesco	Associate	**10,598,840**	10,598,840
Multigold Resources	Associate	**5,154,007**	5,154,007
Eikon	Associate	**2,424,271**	2,424,271
Infocom Technologies, Inc.	Associate	**2,273,411**	2,273,411
Others	Associate	**24,665,998**	18,874,789
		121,465,556	115,876,765
Less allowance for doubtful accounts		**115,961,094**	115,876,765
		P5,504,462	P -
Amounts due to related parties:			
Gotesco Investments, Inc.	Associate	**P100,883,279**	P74,140,223
Ever Gotesco Resources	Associate	**90,434,893**	73,738,317
Tyan Ming	Associate	**55,914,369**	18,285,263
Ever Emporium, Inc.	Associate	**46,498,865**	44,734,496
Gotesco Properties, Inc.	Associate	**32,267,596**	32,078,624
United Doctors Service Corp.	Associate	**24,208,175**	14,173,167
Dominion Properties, Inc.	Associate	**6,794,875**	5,369,875
Ever Plaza	Associate	**5,945,000**	5,495,000
Ever Commonwealth	Associate	**4,550,000**	4,050,000
Prime World Marketing	Associate	**3,600,000**	3,600,000
Evercrest Golf Club & Resort, Inc.	Associate	**2,716,260**	2,125,849
Others	Associate	**63,574,655**	52,770,447
		P437,387,967	P330,561,261

The Company and Subsidiaries granted to or obtained from related party advances in the normal course of business. In 1997, the Company provided interest-bearing advances to Gotesco Properties, Inc. (GPI) and Tyang Ming, related parties. These advances do not have definite call dates. Other advances to related parties are noninterest-bearing and have no specific repayment terms.

The Company and Subsidiaries and certain related parties are currently experiencing operational and financial difficulties. Realization of the receivables of the Company and Subsidiaries from other affiliates is dependent upon the ability of the affiliates to generate sufficient cash flow to settle their obligations on a timely basis.

Key management personnel compensation recognized in the statements of operations amounted to P600,000 in both 2005 and 2004.

6. Inventories

This account consists of:

	2005	2004
Materials and supplies	**P28,239,566**	P28,239,566
Mined and milled ore	**2,319,503**	2,319,503
Finished goods	**218,655**	725,283
	30,777,724	31,284,352
Less allowance for inventory obsolescence	**30,603,910**	30,603,910
	P173,814	P680,442

7. Land and Land Developments

This account consists of:

	2005	2004
Land	**P26,629,449**	P26,629,449
Development costs:		
Evercrest Cebu Golf Club and Resort, Inc. (ECGCRI)	**414,000,982**	411,148,444
Gulod Resort, Inc. (GRI)	**213,839,750**	185,569,938
Nasugbu Resort, Inc. (NRI)	**19,765,387**	19,765,387
Chateau Royale Sports & Country Club, Inc.	**9,357,045**	-
(CRSCCI)	**-**	-
	683,592,613	643,113,218
Less valuation allowance	**392,366,270**	354,979,792
	P291,226,343	P288,133,426

A. Land represents the parcel of land owned by GRI, a wholly owned subsidiary, valued at P26,629,449.

B. Joint Venture Agreement (JVA) for the Redevelopment of Golf Course and Subsequent Assignment of Operations Rights of the Company.

On April 22, 1996, GPI entered into a joint venture agreement with Philippine Tourism Authority (PTA) whereby GPI shall redevelop the golf course and clubhouse existing within PTA's 122-hectare property situated in Cebu City. The joint venture agreement provides, among others, that:

a) GPI and PTA shall share, on a monthly basis, the net income derived from the playing rights and from the operations of the golf course and clubhouse, initially at 65% for GPI and 35% PTA;

b) After GPI has recovered its total development costs of the project, the sharing basis shall be 60% for GPI and 40% for PTA;

c) GPI guarantees PTA a 7% per annum return on its investment, which is valued at P300 million or 35% of the net annual profit from the operations of the golf course and clubhouse, whichever is higher; and

d) GPI may assign any of its rights and interests, or delegate any of its obligations and duties to any of its subsidiaries or affiliates subject to prior written conformity of PTA.

On October 7, 1996, GPI and the Company executed a "Deed of Assignment with Unconditional Assumption of Obligations" whereby GPI conveys in favor of the Company all its rights to, title, interest and obligations arising out of or relative to the joint venture agreement with PTA.

On July 16, 1997, with the conformity of the PTA, the Company and ECGCRI, a wholly owned subsidiary, executed a Deed of Assignment of Operating Rights whereby the Company assigned to ECGCRI its rights to operate, use, manage, and maintain the golf course and facilities. Under this agreement, the subsidiary company will assign, transfer and convey 3,000 nonproprietary golf club membership certificates and/or the proceeds thereof in favor of the Company and PTA and will agree to satisfactorily perform all the representations, undertakings, obligations, and liabilities assumed by the Company under the Assignment and the Agreement relating to its rights to operate, use, manage and maintain the golf course and facilities. The agreement provides that the Company guarantees the performance by ECGRI the representations, undertakings, obligations and liabilities specified in the agreement and that PTA shall have the right to compel and demand from the Company and GPI the performance of such provision.

Furthermore, on July 16, 1997, the Company and GPI Cebu, Inc., the incorporator of ECGCRI, executed an Assignment of Subscription Rights whereby GPI Cebu, Inc. transferred all its rights and obligations relative to its subscriptions to ECGCRI, free from all liens and encumbrances.

On March 20, 2000, GLI and GPI entered into a Compromise Agreement with PTA whereby GLI and GPI offered to acquire from the latter by judicial purchase the 122-hectare property, which is the subject of the Joint Venture Agreement. The Compromise Agreement provides, among others, the following:

a) GLI and GPI will pay P250 million upon signing of the Agreement and delivery by PTA of all documents pertaining to the subject property;

b) GLI and GPI will assume all liabilities pertaining to the playing rights sold pursuant to the April 22, 1996 Joint Venture Agreement executed with PTA;

c) GLI and GPI will assume all claims, judicial and extrajudicial, present and future, that are necessarily and directly connected with the subject golf course project, such as those of the displaced landowners, farmers and other claimants;

d) GLI and GPI will assume the payment of all taxes necessarily and directly connected with the transfer of the subject property;

e) The April 22, 1996 Joint Venture Agreement shall be deemed rescinded, cancelled and without force and effect upon signing of the Compromise Agreement; and

f) PTA warrants its ownership and title over the properties subject of this Agreement and warrants that it can transfer ownership and title to said properties to GLI.

On August 15, 2000, the Court issued an order granting PTA's appeal for the issuance of writ of execution for the failure to pay the amount of P250 million.

On August 22, 2000, GLI and GPI filed a motion for reconsideration of the said order asserting that before complying with the provision of the Compromise Agreement as regards to the payment of P250 million, they had to convene with the people who bought playing rights in the golf club as well as with the displaced land owners, farmers, and other claimants over the parcels of land occupied by the golf course. PTA filed its opposition to the said motion.

Furthermore, in December 2000, GLI and GPI made a tender of payment of the amount of P5 million. Also, during January 2001, they offered to pay the said amount as follows, P25 million immediately upon acceptance of the offer and the balance in eight quarterly installments of P28,125,000. PTA refused to accept the offers.

On March 23, 2001, the motion for reconsideration was granted and the order dated August 15, 2000 is reconsidered and set aside.

C. Joint Venture Agreement (JVA) for the construction and development of Sport and Country Club Facilities in Nasugbu, Batangas.

On November 22, 1996, the Company entered into a Development Agreement with CRSCCI, a wholly-owned subsidiary, whereby the Company will finance and develop the sports and country club facilities of CRSCCI. Under the said Development Agreement, the Company shall receive 2,735 nonproprietary club memberships of CRSCCI and the certificates shall be released to the Company based on work accomplishments.

In connection with the Development Agreement, the Company and CRSCCI entered into a Joint Venture agreement with GPI wherein the Company agreed to develop the sports and country club in a five hectare property being leased by GPI from Batulao Golf & Mountain Resort, Inc. As consideration for the leasehold rights, GPI shall receive 177 nonproprietary club memberships of CRSCCI to be valued at P30 million net of sales commissions and marketing expenses. In addition, GPI shall be entitled to receive monthly basic rent of P40,000 with 5% escalation every year.

On February 18, 1997, the Company entered into another deed of assignment of leasehold rights with GPI whereby leasehold rights acquired by GPI over a portion of property owned by Batulao Golf & Mountain Resort, Inc. with an aggregate area of 943,545 square meters amounting to P64.481 million was transferred to the Company in exchange for 23,038,929 of its own shares.

On July 1, 2004, the Company turned over the Project valued at cost amounting to P263,582,782 to CRSCCI. This was taken up as an addition to the investment in CRSCCI, and deduction to the land developments account shown under the Assets section of the consolidated balance sheets. This was in conformity with the development agreement entered into by the Company and CRSCCI as discussed above.

D. Compromise Agreement between Land Bank of the Philippine and GAlod Resort Inc.

On February 13, 2003, a Joint Motion for Approval of Compromise Agreement was filed by Land Bank of the Philippines (LBP) and GRI to the Regional Trial Court (RTC) in Nasugbu Batangas, for approval.

The same Compromise Agreement includes the following:

a) Acknowledgment and confirmation of GRI of an outstanding obligation to LBP amounting to P332,371,570 as of July 31, 2002 broken down as follows:

	Amount
Principal	P199,756,394
Interest in arrears	110,002,837
Litigation expenses	22,612,339
	P332,371,570

b) GRI is required to pay an initial cash payment amounting to P50 million and LBP agrees to release forty one (41) condominium certificate of title (CCT) which have been fully paid by the individual buyers. The required cash payment of P50 million shall be paid upon approval of the RTC as follows:

Due date	Equivalent CCT for Release	Amount
Upon receipt of Court Approval	8	P10,000,000
1 month from Court Approval	8	10,000,000
2 months from Court Approval	8	10,000,000
3 months from Court Approval	8	10,000,000
4 months from Court Approval	9	10,000,000
	41	P50,000,000

c) After payment in (b) above, the remaining balance of P282,371,570 shall be paid over a period of five (5) years from approval of the RTC of the Compromise Agreement as follows:

1) Fifty (50%) percent of P141,185,785 shall be paid in seven (7) equal quarterly amortization starting at the end of the 13th quarter from the date of approval of the Compromise Agreement. Thereafter, GRI shall make a balloon payment at the end of the 5th year. Accelerated payments or payments in excess of the amortization due shall be applied in the inverse order of maturity.

2) Regular interest payable quarterly in arrears starting at the end of the 1st quarter from the date of the approval of the Compromise Agreement by the Court. First amortization of interest shall cover the period of July 31, 2002 to the end of the first quarter from Court approval of the Compromise Agreement.

3) Interest rate shall be fixed at 9% per annum from July 31, 2003. Thereafter, a yearly repricing at the start of the year shall be made based on the 91-day Treasury bill rate plus 4% spread.

The amount of P82,615,176 representing unpaid capitalized interest shall be non-interest bearing.

d) GRI shall require condominium buyers to issue check payments with LBP as payee thereof. Upon clearing of said checks, LDP shall release to GRI the CCT corresponding to the payments received.

e) Other provisions of the Compromise Agreement are as follows:

1) Failure of GRI to sell the condominium units shall not exempt it from paying its obligation to LBP within 5 years from the date of approval of the Compromise Agreement.

2) GRI shall complete the remaining condominium units that are still in various stages of completion.

3) In the event that GRI, for whatever reason, fails to pay any amortization when due or to comply with any of its undertakings hereof, despite due notice and after the lapse of 15 days from receipt thereof, GRI shall forever recognize LBP as the owner in the fee simple of the remaining condominium certificates of title which are now under the name of LBP.

Management is confident that the Compromise Agreement will be approved by the RTC of Nasugbu, Batangas.

8. Investments in Shares of Stock

This account consists of:

	2005	2004
Proprietary shares	**P89,776,314**	P89,776,314
Others	**2,344,859**	2,344,859
	92,121,173	92,121,173
Less allowance for decline in value of investments	**76,355,274**	76,355,274
	P15,765,899	P15,765,899

The investment in proprietary shares represents investment in Evercrest Golf Club Resort, Inc. (EGCRI). In 1993, Megaheights Realty and Development Corporation (MRDC), a wholly-owned subsidiary of Multiresources Holdings, Inc., entered into an agreement with EGCRI whereby, in exchange for 2,000 shares (at P450,000 per share) of EGCRI, the MRDC assigned to the latter its land with the undertaking to do all the required development for golf course and resort facilities with a total estimated cost of P900 million.

In meetings held in May and June 1996, the Board of Directors of MRDC approved the assignment of the remaining 438 proprietary shares of EGCRI to certain banks to collateralize the loans of GPI.

On December 26, 2000, GPI executed a "Dacion En Pago" agreement relative to the settlement of its past due obligations with RCBC Savings Bank, collateralized by 450 shares of EGCRI. Of the total shares dacioned, 302 shares belong to and are registered in the name of MRDC. Pursuant to the agreement, MRDC authorized the assignment of 302 shares of Evercrest to RCBC Savings Bank as partial settlement of the obligations of GPI. Accordingly, GPI was charged for the cost of shares.

9. Property and Equipment

A reconciliation of the carrying amounts of property at the beginning and end of the period is shown below:

	For the Year Ended December 31, 2005							
	Land	**Roads and Bridges**	**Club Facilities**	**Office Furniture, Fixtures and Other Equipment**	**Transportation Equipment**	**Mine Machineries and Equipment**	**Buildings and Improvements**	**Total**
Gross carrying amount:								
January 1, 2004	P3,377,524	P2,575,563	P -	P2,248,726	P1,411,083	P -	P10,090,672	P19,703,568
Additions	-	-	263,582,782	3,459,632	959,091	-	214,786,525	482,788,030
December 31, 2004	3,377,524	2,575,563	263,582,782	5,708,358	2,370,174		224,877,197	502,491,598
Additions	-	-	3,035,412	1,800,059		2,181,818	-	7,017,289
December 31, 2005	**3,377,524**	**2,575,563**	**266,618,194**	**7,508,417**	**2,370,174**	**2,181,818**	**224,877,197**	509,508,887
Accumulated depreciation:								
January 1, 2004	-	2,575,563	-	42,498	235,181	-	10,090,672	12,943,914
Depreciation	-	-	3,752,744	1,335,927	378,125	-	13,739,112	19,205,908
December 31, 2004	-	2,575,563	3,752,744	1,378,425	613,306		23,829,784	32,149,822
Depreciation	-	-	7,898,969	454,856	474,035	181,818	9,502,523	18,512,201
December 31, 2005	**-**	**2,575,563**	**11,651,713**	**1,833,281**	**1,807,341**	**181,818**	**33,332,307**	**50,662,023**
Carrying amount:								
December 31, 2004	P3,377,524	P -	P259,830,038	P4,329,933	P1,756,868	P -	P201,047,413	P470,341,776
December 31, 2005	**P3,377,524**	**P -**	**P254,966,481**	**P5,675,136**	**P1,282,833**	**P2,000,000**	**P191,544,890**	**P458,846,864**

10. Other Assets

This account consists of:

	2005	2004
Input tax - net	**P53,256,357**	P53,396,865
Prepayments and deposits	**2,442,118**	1,104,054
Others - net	**1,766,292**	1,326,657
	P57,464,767	P55,827,576

Input tax represents value-added tax paid on purchases of goods and services, which under the value-added tax law, may be allowed as tax credits against the Company's output tax liability. Any amount not applied against output tax liability may be recovered as tax refund/credit, subject to prior approval by the Bureau of Internal Revenue.

Others include net book value of the deferred exploration and development cost and cash in a closed bank, net of an allowance for possible loss on unrecoverable assets.

11. Accounts Payable and Accrued Expenses

This account consists of:

	2005	2004
Accounts payable and accrued expenses	**P609,314,208**	P600,833,045
Retention payable	**136,572,144**	124,178,868
Advances from stockholders	**112,626,190**	91,724,920
	P858,512,542	P816,736,833

12. Customers' Deposits

This account includes deposits received from customers on the sale of nonproprietary golf club shares of CRSCCI and ECGCRI amounting to P219,250,831 and P218,271,133 as of December 31, 2005 and 2004, respectively. As mentioned in Note 18, the Subsidiaries obtained the approval from the SEC to offer 3,000 nonproprietary golf club memberships.

13. Other Income

This account consists of:

	2005	2004
Recovery of doubtful accounts	**P973,156**	P21,959,141
Reversal of probable losses on land development	**-**	75,820,062
Interest	**11,526**	20,259
Dividends	**350**	1,130
Others	**2,320,110**	624,607
	P3,305,142	P98,425,199

14. Cost of Sales

	2005	2004
Depreciation	**P8,571,461**	P14,336,840
Groceries and perishable goods	**7,343,614**	5,882,012
Housekeeping supplies	**5,226,989**	5,186,897
Janitorial services	**1,688,702**	287,620
Direct labor	**212,254**	948,726
Others	**161,924**	704,849
	P23,204,944	P27,346,944

15. Income Taxes

The provision for current income tax in 2004 represents MCIT amounting to P10,800, which is available for offsetting against future taxable income.

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2005	2004	**2005**	2004	**2005**	2004
Allowance for:						
Doubtful accounts	**P306,170,795**	P280,217,024	**P -**	P -	**P306,170,795**	P280,217,024
Creditable withholding tax	**213,752,284**	195,430,660	**-**	-	**213,752,284**	195,430,660
Probable loss on real estate project costs	**137,328,196**	113,593,533	**-**	-	**137,328,196**	113,593,533
Probable loss on input tax	**29,941,245**	27,374,806	**-**	-	**29,941,245**	27,374,806
Advances to suppliers and contractors	**21,389,302**	19,555,933	**-**	-	**21,389,302**	19,555,933
Unrecoverable assets	**16,647,633**	15,220,693	**-**	-	**16,647,633**	15,220,693
Inventory obsolescence	**11,094,053**	10,143,134	**-**	-	**11,094,053**	10,143,134
Unrealized gain on deferred cash sales	**10,290,676**	9,572,121	**-**	-	**10,290,676**	9,572,121
Long-term receivable	**3,640,000**	3,328,000	**-**	-	**3,640,000**	3,328,000
NOLCO	**22,148,563**	21,300,367	**-**	-	**22,148,563**	21,300,367
MCIT	**9,209**	20,009			**9,209**	20,009
Capitalized interest	**-**	-	**(49,326,443)**	(46,296,216)	**(49,326,443)**	(46,296,216)
Unrealized foreign exchange gain	**-**	-	**(17,125)**	(15,657)	**(17,125)**	(15,657)
Others	**9,452,592**	4,861,880	**-**	-	**9,452,592**	4,861,880
	781,864,548	700,618,160	**(49,343,568)**	(46,311,873)	**732,520,980**	654,306,287
Less change in unrecognized deferred tax assets	**(779,194,441)**	(690,283,464)	**-**	-	**(779,194,441)**	(690,283,464)
	P2,670,107	P10,334,296	**(P49,343,568)**	(P46,311,873)	**(P46,673,461)**	(P35,977,177)

As of December 31, 2004, the Company has outstanding NOLCO, which is available as tax deductions, is as follows:

Year Incurred	Amount	Expiry Date
December 31, 2005	P20,418,193	2008
December 31, 2004	10,572,794	2007
December 31, 2003	32,290,622	2006
	P63,281,609	

16. Loans Payable

This account represents secured loans obtained by NRI from Land Bank of the Philippines (LBP) amounting to P200 million. The loan is secured by a real estate mortgage on a parcel of land owned by GRI (another wholly owned subsidiary of the Company). Interests on loans are based on prevailing market rates.

NRI defaulted on its loan agreements. Consequently, a foreclosure was effected through a public auction wherein LBP, being the highest bidder, bought the properties mortgaged. The certificate of sale provided NRI with a right to redeem the foreclosed properties owned by GRI, within one year until September 25, 1999. The redemption period had lapsed and NRI did not exercise its right to redeem the foreclosed property.

GRI filed a civil case against LBP for the annulment of the foreclosure sale on grounds of deficiencies in the foreclosure proceedings. Accordingly, NRI has not effected in its books the foreclosure sale.

The remaining balance represents the loan obtained by ECGCRI from a local bank to finance the acquisition of a motor vehicle. The loan is payable in 36 equal monthly installments up to January 27, 2006, with interest of 17.% per annum and is secured by a chattel mortgage on the vehicle financed.

17. Capital Deficiency

Details of capital deficiency at December 31 are as follows:

	2005	2004
Capital stock - P1 par value		
Common Class "A"		
Authorized - 1.5 billion shares		
Issued - 808,706,846 shares	**P808,706,846**	P808,706,846
Common Class "B"		
Authorized - 1 billion shares		
Issued - 397,541,098 shares	**397,541,098**	397,541,098
Additional paid-in capital	**130,314,269**	130,314,269
Allowance for decline in value of investment	**(52,190,000)**	(52,190,000)
Deficit	**(1,793,518,178)**	(1,694,957,391)
	(P509,145,965)	(P410,585,178)

Ownership of Class "A" shares is available only to Filipino citizens or entities with at least 60% Filipino equity. Class "B" shares, on the other hand, may be acquired by Filipinos and/or non-Filipinos.

In December 1996, the Board of Directors and the stockholders approved the increase in the Company's authorized capital stock from P1 billion divided into 60 billion Class "A" and 40 billion Class "B" shares at P0.01 par value per share to P2.5 billion divided into 1 billion Class "A" and 1.5 billion Class "B" shares at P1.00 par value per share. The increase in the Company's authorized capital stock was conditionally approved on July 10, 1997, by the SEC. The conditional approval provides that the Company's shares of stock issued in exchange of properties will be held under escrow and will be released until presentation of title in the name of the Company, which to date has not been complied with.

On February 18, 1997, the Company and two (2) affiliates, namely, Golden Bay Resort, Inc. (GBRI) and Gotesco Properties, Inc. (GPI) entered into a subscription agreement with assignment of parcels of land owned by the affiliates valued at P460,069,806. These properties are presently mortgaged with certain banks as loan collaterals of the affiliates. Negotiation is presently in progress with the lender banks for the release of the properties to enable the Company to effect the transfer and increase in capitalization.

18. Permit to Sell Securities

CRSCCI and ECGCRI, wholly owned subsidiaries of the Company, obtained on March 14, 1997 and November 3, 1997, respectively, the approval of the SEC to offer 3,000 nonproprietary golf club memberships to the public under the Revised Securities Act.

The SEC however, subsequently revoked on February 10, 2005 the authority of ECGRI to sell its golf membership shares to the public, pending approval of its environmental compliance certificate by the Department of Environment and Natural Resources (DENR).

19. Agreements and Commitments

a. Certain wholly owned subsidiaries have entered into various contract and agreements for the supply of materials and services in connection with the construction of its real estate and development projects. Payments and accruals for materials delivered and services rendered under lease contracts and agreements aggregated to P407 million and P722 million in 1998 and 1997, respectively.

b. A subsidiary entered in an Escrow Agreement with UCPB. The agreement provides for the setting up of an escrow fund, which will consist of the sales proceeds from the buyers of the subsidiary's land development project. Such fund will be used exclusively to finance the construction and repayment of the existing loans with UCPB.

20. Contingencies

The Company and Subsidiaries have the following contingencies as of December 31, 2005 and 2004:

a. The Company has pending tax assessments from the Bureau of Internal Revenue for deficiency ad valorem tax and other taxes. Such assessments are being contested by management.

b. The Company and Subsidiaries are involved in various litigations, claims and disputes, which are pending in court.

Management believes that ultimate liability, if any, with respect to the above items will not have a material effect on the financial position and results of operations of the Company and Subsidiaries.

21. Creditors' Share in Accumulated Losses of Subsidiaries in Excess of Investment

This account represents the unrecognized equity in net losses of wholly-owned subsidiaries. Certain subsidiaries incurred losses more than their net assets. Under SFAS 28/IAS 28, Accounting for Investments in Associates, if an investor's share of losses of a subsidiary equals or exceeds the carrying amount of an investment, the investor ordinarily discontinues including its shares of further losses. The investment is reported at nil value. Additional losses are provided to the extent that the investor has incurred obligations or made payments on behalf of the subsidiary that the investor has guaranteed or otherwise committed.

Since the Company did not provide financial support to Subsidiaries, the unrecognized losses of the Subsidiaries are to be absorbed by the Subsidiaries' creditors. Creditor's share in net losses of consolidated subsidiaries amounted to P26.320 million and P35.954 million in 2005 and 2004, respectively.

22. Income (Loss) Per Share

Income (loss) per share is computed as follows:

	2005	2004
Net income (loss)	**(P98,560,787)**	P34,555,374
Divided by total number of shares issued (Note 17)	**1,206,247,944**	1,206,247,944
	(P0	P0.0286

23. Employee Benefits

The Parent Company has 4 employees as of December 31, 2005 and 2004. The Management believes that the related pension liability, if any, will not have a material effect on the financial position and results of operations of the Company as of and for the year ended December 31, 2005.

24. Financial Risk Management

The Company's activities are exposed to a variety of financial risks - credit risk and liquidity risk. The Company's Board of Directors reviews and approves the policies for managing each of these risks as summarized below:

a. *Credit risk* is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. The Company ensures that the an obligation will be performed based on the contract entered into to prevent from incurring financial loss.

b. *Liquidity risk* is the risk that the Company will be unable to meet its obligation as they fall due. To effectively manage liquidity risk, the Company seeks to manage its liquid funds through cash planning. The Company uses historical figures and experiences and forecasts from its collections and disbursements. The Company requests for extension of credit terms from its creditors for more manageable repayment terms and make use of available funding from other related parties.

25. Financial Instruments

The main purpose of the Company's financial instruments is to finance the Company's operations. The financial assets recorded in the balance sheets include cash, receivables, investments in shares of stocks, and due from related parties. The financial liabilities included in the balance sheets include accounts payable and accrued liabilities, loan payables and due to related parties. The carrying amounts of accounts payable and accrued expenses, loans payable and due to related parties approximate their fair values.