103262015001270

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder : Ma. Theresa D. Mabuyo
Receiving Branch : SEC Head Office
Receipt Date and Time : March 26, 2015 03:11:43 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.	0000052412
Company Name	BELLE CORP.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	103262015001270
Document Type	17-A (FORM 11-A:AANU)
Document Code	17-A
Period Covered	December 31, 2014
No. of Days Late	0
Department	CFD
Remarks	WITH PARENT,CONSO & ACGR

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, 2014**

2. SEC Identification Number: **52412**

3. BIR Tax Identification No. **000-156-011**

4. Exact name of registrant as specified in its charter: **BELLE CORPORATION**

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

6. ________________ (SEC Use Only)
   Industry Classification Code

7. **5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP 1-A, Pasay City**
   Address of principal office

   1300
   Postal Code

8. **662 - 8888**
   Registrant's telephone number, including area code

9. **28/F, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City**
   Former address

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Outstanding
Common Stock, P 1.00 par value	**10,559,382,799**
	Amount of Debt Outstanding
	Php 4,750,016,786

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

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 1(a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines during the preceding 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 90 days.
Yes [**x**] No [ ]

13. Aggregate market value of voting stock held by non-affiliates: **P21.4 billion**
This was computed by multiplying the no. of voting stocks held by non-affiliates (4,848,138,113) by the stock's closing price of ₱4.42 per share on February 24, 2015.

TABLE OF CONTENTS

Page No.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Background

Belle Corporation ("Belle" or the “Company”) was incorporated in 1973 as Belle Mining and Oil Exploration, Incorporated (“Belle Resources”) and, in 1976, was listed on the Philippine Stock Exchange. In 1989, Belle Resources developed a golf club named Tagaytay Highlands International Golf Club, Incorporated (“Tagaytay Highlands”), which became its initial foray into the property development sector. In 1994, Belle Resources changed its name to Belle Corporation to underscore the shift in its principal activity.

In early 2001, Belle decided to spin-off some of its property development assets. The spin-off involved the transfer of approximately 534 hectares of undeveloped land, 70 developed subdivision lots and 25 finished residential units into a newly formed subsidiary, Highlands Prime, Incorporated (“Highlands Prime”). Highlands Prime was registered with the Securities and Exchange Commission on February 15, 2001, and its shares became listed on the Philippine Stock Exchange on April 23, 2002, at which time Belle sold approximately 64% of its interest in Highlands Prime to investors. In August 2013, Belle exchanged its 809 million shares in Highlands Prime for approximately 109 million shares in SM Prime Holdings, Inc. (“SMPH”), pursuant to the tender offer with SM Land, Inc. for the shares of Highlands Prime and SM Development Corp.

On April 14, 2011, Belle acquired all the shares of PremiumLeisure & Amusement, Inc. (“PLAI”) through the issuance of 2.7 billion new common shares. PLAI is a grantee by Philippine Amusement and Gaming Corporation (“PAGCOR”) of a Certificate of Affiliation and Provisional License (the “License”) to operate integrated resorts, including casinos, in the vicinity of the Bagong Nayong Pilipino Manila Bay Entertainment City (“PAGCOR Entertainment City”). PLAI’s License runs concurrent with the PAGCOR’s Congressional Franchise, which expires in 2033 unless renewed for another 25 years by the Philippine Congress. Belle started construction of the foundation and structure of the integrated resorts in 2010 on 6.2 hectares of land along the entrance of the Entertainment City. In October 2012, Belle and PLAI entered into a Cooperation Agreement with MELCO Crown Entertainment Limited and its Philippine affiliates (collectively, “MCE”). The Cooperation Agreement placed Belle as a co-licensee and the owner of the land and buildings and MCE as a co-licensee, developer and operator of all facilities within the integrated resort, which was subsequently branded as “City of Dreams Manila”. City of Dreams Manila had its soft opening on December 14, 2014 and its Grand Launch on February 2, 2015. Belle, PLAI and MCE have fully complied with all PAGCOR requirements under the License, as of the date of the soft opening.

Development of the Business of the Registrant and its Subsidiaries/Affiliates during the Past 3 Years

Belle, the registrant, shifted its principal activity from mining and oil exploration to property development when it developed Tagaytay Highlands in 1989. Its property development projects are located in Tagaytay City and Batangas, and include the following: Alta Mira, Fairfield, Lakeside Fairways, Lakeview Heights, Nobhill, Pinecrest Village, Plantation Hills, Tagaytay Highlands Golf Club, Tagaytay Midlands Golf Club, The Belleview, The Country Club at Tagaytay Highlands, The Parks at Saratoga Hills, The Spa and Lodge at Tagaytay Highlands, The Verandas at Saratoga Hills, The Villas, and The Woodlands.

Lakeside Fairways comprises Belle’s newest development area in Batangas, and was introduced by Belle in April 2007. This project consists of subdivision lots located south of the existing 18-hole Tagaytay Midlands golf course in Talisay, Batangas. The construction of 9 more holes for the Tagaytay Midlands golf course also commenced after ground breaking for Lakeside Fairways, during the first half of 2008. As of December 31, 2014, the first four phases of Lakeside Fairways (Kew Gardens, Terrazas de Alava, Lakeside Enclave and Tivoli Place) average a completion rate of 99%. The fifth and sixth phases (Cotswold and Katsura, respectively) were 99% complete as of December 31, 2014. In April 2010, Belle launched the addition to its Katsura line of Japanese-themed subdivision properties, namely Yume, which was 99% complete as of December 31, 2014. In April 2011, Belle launched its latest phase in Lakeside Fairways, Sycamore Heights, with more than 23 hectares in gross land area and comprising 331 lots. As of December 31, 2014, Sycamore Heights was 62% complete.

Pacific Online Systems Corporation ("Pacific Online"), incorporated in 1993, leases online lottery equipment to the Philippine Charity Sweepstakes Office ("PCSO") for their lottery operations. Pacific Online has been consistently profitable since its fiscal year 2002. Pacific Online listed its shares on the Philippine Stock Exchange with a successful initial public offering on April 12, 2007. A total of 39.8 million shares were offered to the public at P8.88 per share. Because of high demand for Pacific Online shares, it opened in the market at P13.25 per share on the listing date. Belle effectively owned 35% of Pacific Online as of December 31, 2013. Belle subsequently increased its effective ownership in Pacific Online to 50.1% as of June 5, 2014.

Premium Leisure Corporation ("PLC") comprises the Group's vehicle for gaming investments. It was originally incorporated as Sinophil Oil Exploration Co., Inc. in 1993 with the primary purpose of engaging in oil and gas exploration and development activities. On June 3, 1997, its name was changed to Sinophil Corporation with a primary purpose of being an investment holding company and, on July 18, 2014, its stockholders approved a further change in its name to Premium Leisure Corporation with its primary purpose being investments in gaming-related businesses. On July 22, 2014, Belle completed transfers to PLC of its 100% stake in PLAI and approximately 102 million shares in Pacific Online (comprising about 34.5% of issued common shares in Pacific Online), with the Company transferring to Belle various real estate assets and corporate securities. PLC also increased its authorized capital stock from 16.1 billion shares to 43.6 billion shares, with Belle subscribing to 24.7 billion new common shares that increased its consolidated ownership therein from 3.6 billion shares or 54.3% to 28.3 billion shares or approximately 89.8%. During September and October 2014, Belle, its subsidiaries and affiliates sold a total of approximately 3.5 billion shares in PLC in the secondary market, in order to increase PLC's public float. These share sales reduced Belle and its wholly owned subsidiaries' consolidated ownership in PLC to 24.9 billion shares or 79%, which level is unchanged as of December 31, 2014.

As the owner of 100% of the outstanding shares of PLAI, PLC will directly benefit from PLAI's share in gaming operations of City of Dreams Manila. Under the operating agreement between Belle, PLAI and MCE, PLAI will be entitled to receive from MCE agreed-upon monthly payments after the opening of gaming operations in City of Dreams Manila, consisting of the following:

- The higher of (i) one-half of mass market gaming earnings before interest, taxes, depreciation and amortization (after adjusting for certain agreed deductions and for adding back expenses related to the lease agreement with Belle) or (ii) 15% of net mass market gaming revenues (after deductions for PAGCOR's non-VIP license fees), whichever is higher; and
- The higher of (i) one-half of VIP gaming earnings before interest, taxes, depreciation and amortization (after adjusting for certain agreed deductions and for adding back expenses related to the lease agreement with Belle) or (ii) 5% of net mass market gaming revenues (after deductions for PAGCOR's VIP license fees, VIP commissions and incentives, as well as VIP bad debts expenses), whichever is higher.

The Board of Directors of PLC has set a policy for PLC to declare as dividends to its shareholders in every year at least 80% of its unrestricted retained earnings as of the previous financial year that are qualified to be paid as dividends.

Investment Agreement with PLAI, and Lease and Cooperation Agreements with MCE

On April 14, 2011, Belle acquired PLAI through the issuance of 2.7 billion new common shares of Belle. PLAI is a grantee by PAGCOR of a License to operate integrated resorts, including casinos in the vicinity of PAGCOR Entertainment City. PLAI's License runs concurrent with PAGCOR's Congressional Franchise, which expires in 2033 unless renewed for another 25 years by the Philippine Congress. On October 16, 2010, the transfer and valuation of Belle and PLAI shares was approved by the Securities and Exchange Commission ("SEC"). The Certificate Authorizing Registration ("CAR") from the Bureau of Internal Revenue ("BIR"), which triggered the completion of the transfer, was approved on October 4, 2011.

The PAGCOR License stipulates certain requirements and guidelines that licensees will have to achieve by the opening date of their integrated resorts (the "PAGCOR Guidelines"). Among these are:

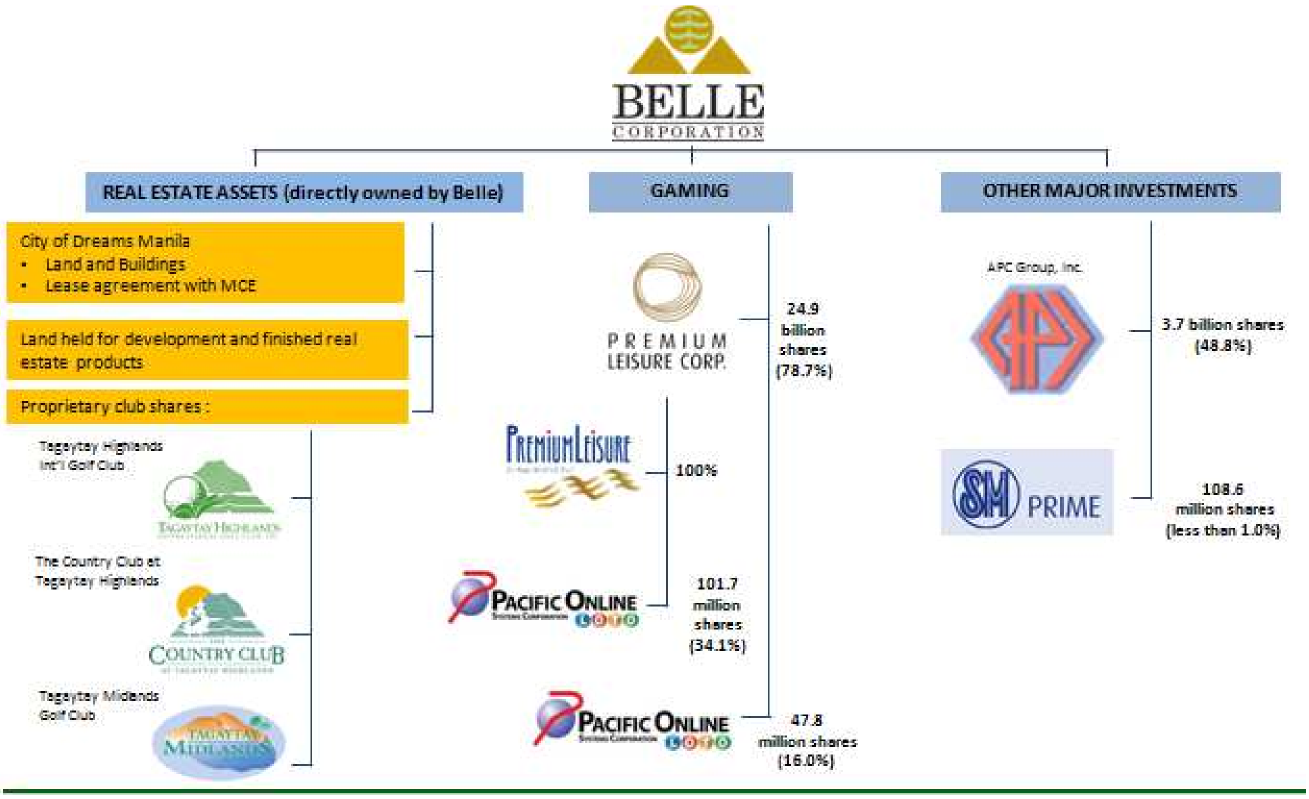
- Total investment commitment of US$1 billion, with at least US$650 million as of the opening date of the integrated resort (including up to US$150 million in market value of land used for the resort) and the balance of US$350 million within three years of such opening date;
- At least 800 hotel rooms, with an average floor area of at least 40 square meters;
- Total gross floor area of at least 250,000 square meters;
- At least 20,000 square meters of gross floor area available for retail and food/beverage outlets;
- An entertainment feature that costs at least P1 billion to construct;
- Total gaming space not to exceed 7.5% of the resort's total gross floor area;
- Maximum number of gaming tables and slot machines/electronic table games to be set using a formula based on the total number of hotel rooms in the resort and the quality of such rooms.

In October 2012, Belle and PLAI entered into a Cooperation Agreement with MCE, which places Belle as a co-licensee and the owner of the land and buildings and MCE as a co-licensee, developer and operator of all the facilities within the resort complex with March 13, 2013 as its effectivity date. As a result, both Belle and MCE were expected to make equal investment contributions to the project. MCE is the developer and owner of integrated resorts focused on the Macau Market, with its landmark project to date being the highly successful "City of Dreams". On October 25, 2012, the Belle, as a lessor, entered into a lease agreement with MCE for the lease of land and building structures to be used in the integrated casino development project. The lease period for phase 1 of the integrated resort building started on March 13, 2013 and is co-terminus with the operating agreement between the Company and MCE, which in turn is co-terminus with the License from PAGCOR, and provides for monthly rentals (with annual escalation) to be paid by MCE to Belle in respect of the land and buildings. PLAI and MCE also entered into an operating agreement that is similarly co-terminus with the License from PAGCOR, whereby MCE was given full management discretion on the management and operation of the integrated resort and PLAI was accorded a share of earnings from gaming operations in the resort.

On October 9, 2013, MCE announced that the integrated resort will be branded as "City of Dreams Manila", the namesake of MCE's flagship integrated resort in Macau, City of Dreams. MCE subsequently announced the branding of three hotels in City of Dreams Manila as Nobu, Hyatt and Crown Towers. MCE also announced plans for "DreamPlay", City of Dreams Manila's fully immersive, technology-rich family entertainment center developed in collaboration with DreamWorks Animation, which is the first of its kind in the world.

City of Dreams Manila was substantially completed as of December 2014, with all requirements under the PAGCOR Guidelines being met by Belle and MCE, including the full US$1 billion investment commitment. The resort's soft opening was held on December 14, 2014, on which date most of the resort's facilities, including its mass market gaming operations, were officially open to the public. The Grand Launch of City of Dreams Manila was held on February 2, 2015.

BELLE CORPORATION
CORPORATE STRUCTURE AND MAJOR LINES OF BUSINESS/SUBSIDIARIES
AS OF DECEMBER 31, 2014



Bankruptcy, Receivership or Similar Proceedings

None for any of the companies above.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (Not Ordinary)

Acquisition of Additional Interest in Pacific Online
The Company's total ownership in Pacific Online increased to 51.9% as at December 31, 2014, from 34.94% as at December 31, 2013, after a series of share purchases in the secondary market at the Philippine Stock Exchange (PSE) during 2014. As a result, the Company consolidates Pacific Online effective June 5, 2014. This transaction is a business combination achieved in stages and accounted using acquisition method. The primary reason for acquiring additional interest in Pacific Online was to expand the Company's share in the gaming business.

Additional Subscription in PLC
On June 20, 2014, Belle and PLC entered into a subscription agreement for 24.7 billion common shares of PLC at a subscription price of ₱0.369 per share or a total of ₱9,114.3 million, thereby increasing Belle's interest in PLC to 89.8%.

Corporate Reorganization
On July 22, 2014, A Deed of Sale of Shares was executed covering the sale by Belle to Premium Leisure Corp. ("PLC") of all its equity interest in PremiumLeisure and Amusement, Inc. ("PLAI"), consisting of Fifty Thousand (50,000) Common Shares, at a price of Ten Billion Eight Hundred Forty-Seven Million Eight Hundred Twenty Thousand Pesos (₱10,847,820,000.00).

On the same day, the Corporation sold its shares in Pacific Online Systems Corporation ("Pacific Online") to PLC. Belle Corporation sold the equivalent of approximately Thirty-Four and a Half Percent (34.5%) of the outstanding capital stock of Pacific Online, or a total of 101,668,953 Common Shares, at a previously agreed price of Fifteen Pesos (₱15.00) per share, or an aggregate of One Billion Five Hundred Twenty-Five Million Thirty-Four Thousand Two Hundred Ninety-Five Pesos (₱1,525,034,295.00) which will be paid for in cash. The transfer of the Pacific Online shares from Belle to PLC was executed through the facilities of the Exchange through a special block sale.

During September and October 2014, Belle, its subsidiaries and affiliates sold a total of approximately 3.5 billion PLC shares in the secondary market in order to increase PLC's public float. These share sales reduced Belle's consolidated ownership in PLC to 24.9 billion shares or approximately 79.0%, which is unchanged as of December 31, 2014. This transaction is considered as a sale of interest in PLC without losing control, thus all of the related gains and related transaction costs were accounted for directly in equity.

Acquisition of Falcon Resources Inc. ("FRI")
On June 16, 2014, Total Gaming Technologies Inc., a subsidiary of Pacific Online, and the shareholders of Falcon Resources Inc. (FRI) entered into a Memorandum of Understanding (MOU) for the former's intention to acquire the latter's interest in FRI representing 100% ownership. As at December 11, 2014, the Deed of Sale for the transfer of shares of stock has been executed. FRI is a company engaged in consultancy services for TGTI and a sub-distributor for Pacific Online. FRI is a company incorporated in the Philippines.

Products

Belle is principally engaged in real estate development, gaming (through subsidiaries) and other leisure and resort activities. Since 2010, Belle has allocated significant resources to the development of its mixed-use gaming facility, the City of Dreams Manila integrated resort, which opened its door to the public on December 14, 2014.

Belle's investments in companies engaged in gaming and gaming-related activities are indicated below. In the Philippines, the gaming industry is relatively untapped by the private sector, creating opportunities for experienced leisure operators. Belle's gaming businesses are undertaken, or will be undertaken, mainly by the following subsidiaries/affiliates:

1. Premium Leisure Corp. ("PLC"), a 78.7% directly -owned publicly listed subsidiary of Belle with a primary purpose of investing in gaming-related businesses. PLC owns 100% of PLAI and approximately 34.5% of outstanding shares of Pacific Online.

2. PremiumLeisure & Amusement Inc. ("PLAI") is a grantee by PAGCOR of Certificate of Affiliations and Provisional License to operate integrated resorts, including casinos, in the vicinity of PAGCOR Entertainment City. The License runs concurrent with PAGCOR's Congressional Franchise, which expires in 2033, unless renewed for another 25 years by the Philippine Congress. PLAI is a wholly-owned unlisted subsidiary of PLC, Belle's subsidiary.

3. Pacific Online Systems Corporation ("Pacific Online"), leases on-line betting equipment to the PCSO for their lottery operations in the Visayas and Mindanao regions. Belle and its subsidiaries own a total of 51.9% of outstanding shares of Pacific Online, which is a publicly listed company.

Revenues and Other Income

The following are the major revenue and other income items in 2014 and 2013:

	2014		2013	
	Amount in Thousands	**% of Total Revenue**	Amount in Thousands	% of Total Revenue
Revenues and Other Income				
Interest income on finance lease	**1,409,173**	26%	1,177,570	23%
Fair value change due to cancellation of Swap Agreement	**1,219,133**	23%	-	0%
Equipment rental and instant scratch ticket sales	**949,721**	18%	-	0%
Gain on significant acqusitions - net	**879,348**	16%	-	0%
Sale of real estate and club shares	**300,252**	6%	175,280	3%
Lease income	**188,757**	3%	157,136	3%
Equity in net earnings of associates	**117,190**	2%	119,940	2%
Revenue from property management	**115,356**	2%	105,033	2%
Gaming revenue share	**38,809**	1%	-	0%
Interest and investment income	**29,979**	1%	56,112	1%
Day 1 Gain on Finance Lease Accounting	**-**	0%	2,324,434	45%
Termination fee	**-**	0%	949,608	19%
Other revenues	**161,724**	3%	59,620	1%
Total	**5,409,442**	**100%**	5,124,733	100%

Distribution Methods of Products

Belle's high-end real estate products are sold principally to the A and B property market segments. The Company has its own in-house staff responsible for marketing and sales of the Company's products, as well as after-sales services. The Company also accredits and taps the services of external brokers to complement its in-house marketing and sales teams.

Status of Projects

Real Estate:

In 2014, revenues from real estate development operations came mainly from sales of Lakeside Fairways lots, sales of club shares and sales of Saratoga Hills properties (mainly Fairfield, Nobhill and The Verandas at Saratoga Hills).

The Belle View:
This project was completed and fully sold in 1998.

The Woodlands:
Belle started the delivery of units to homeowners in 1998. The project was completed in 1999.

Alta Mira:
The project was completed in 2000.

Fairfield:
As of December 31, 2013, Fairfield was 100% complete. The project was launched in October 2009.

Nob Hill:
As of December 31, 2014, Nob Hill was 94% complete. The project was launched in April 2010.

Lakeview Heights:
The project was completed in 2002.

Lakeside Fairways:
As of December 31, 2014, the first four phases (Kew Gardens, Terrazas de Alava, Lakeside Enclave and Tivoli Place) of the project were approximately 99% completed, while the fifth and sixth and phases (Cotswold and Katsura) were 99% complete, respectively. In April 2010, Belle launched Yume, a new Japanese-themed subdivision in the Lakeview Heights development area, which was 99% complete as of December 31, 2014. In April 2011, Belle launched its newest subdivision within Lakeside Fairways, Sycamore Heights, with more than 23 hectares in gross land area, comprising 352 residential lots averaging 360 sqm per lot. As of December 31, 2014, Sycamore Heights was 62% complete.

Plantation Hills:
Only a few remaining lots in The Sanctuary, The Ridge, The Meadows, The Heights (Phases 1, 2, 3 and 5 of Plantation Hills, respectively) were unsold, and construction of these phases was fully completed, as of December 31, 2007. Plantation Hills is a farm lots subdivision.

The Parks at Saratoga Hills:
The Parks at Saratoga Hills ("The Parks"), located in Tanauan, Batangas, was launched in 2005. As of December 31, 2007, land development for The Parks was fully completed.

The Verandas at Saratoga Hills:
The Verandas at Saratoga Hills ("The Verandas"), located in Tanauan, Batangas beside The Parks, was launched in 2006. It was fully completed as of December 31, 2007.

Tagaytay Midlands Golf Club, Inc.:
The golf clubhouse and an 18-hole golf course were completed and fully operational in 1998. An additional 9-hole golf course is expected to be fully operational by June 2015.

The Spa and Lodge at Tagaytay Highlands:
The Spa and Lodge was completed in 2001. The Spa and Lodge structure is a hotel-like facility that boasts 25 five-star suites and spa facilities.

The Country Club at Tagaytay Highlands, Inc.:
The project was completed in 1996.

Gaming:

On April 14, 2011, the Company acquired PLAI, which holds a License from PAGCOR, through the issuance of 2.7 billion new common shares valued at P1.95 per share in exchange for 100% of the outstanding capital stock of PLAI. This marked the Company's strategic entry into the Integrated resort industry. In October 2012, the Company entered into a Cooperation Agreement with MCE, which placed Belle as a co-licensee and owner of the land and buildings and MCE as co-licensee, developer and operator of the integrated resort, which was subsequently branded as "City of Dreams Manila". City of Dreams Manila is sited on 6.2 hectares of prime land at the corner of Roxas Boulevard and Aseana Avenue in Parañaque City, at the entrance of PAGCOR's Entertainment City complex. The construction of the integrated resort was substantially complete as of its Grand Launch on February 2, 2015, with approximately 300 hectares of gross floor area containing approximately 2.2 hectares of gaming areas, more than 2 hectares of retail and restaurant facilities, with more than 900 hotel rooms of 4-star, 5-star and 6-star quality and other entertainment facilities. City of Dreams Manila is only about 1 kilometer away from the Mall of Asia complex.

MCE, whose major shareholders are Melco International Development Limited and Crown Limited, is a developer and owner of integrated resort facilities focused on the Macau market. Its operating complex in Macau's Cotai Strip, known as the "City of Dreams", is a highly successful project that houses a gaming facility, a Crown Hotel, a Grand Hyatt Hotel, a Hard Rock Hotel and an upscale retail operation, along with a mix of bars and restaurants that are drawing crowds mainly from Hong Kong and China. The "City of Dreams" is also known for its spectacular show called "The House of Dancing Water", which has become one of Macau's major tourist attractions. MCE is building its second integrated resort in Macau called “Studio City”.

Pacific Online, incorporated in 1993, leases online betting equipment to the PCSO for their lottery operations. It has been consistently profitable since 2002, and listed its shares on the Philippine Stock Exchange on April 12, 2007.

Competition

Property development has been Belle’s historical core business area. Belle believes that, at present, there is no other company in the Philippines that has successfully launched large-scale, self-contained and community-type leisure properties akin to its developments around Tagaytay Highlands and Tagaytay Midlands. In general, Belle competes somewhat with developers such as Ayala Land, Landco, Fil-Estate and Brittany Corporation, with respect to its residential and subdivision projects. Some of these developers, like Ayala Land, are bigger in size than Belle. Nevertheless, Belle is able to effectively compete with the above companies primarily on the basis of product quality, reliability to deliver the projects as promised, project location, and high-end property development expertise. Furthermore, Belle has a market base of more than 7,000 wealthy individuals who are existing members of Tagaytay Highlands, Tagaytay Highlands Country Club and Tagaytay Midlands, which provides a marketing advantage over developers of similar properties.

In gaming, City of Dreams Manila will be competing against casinos operated by PAGCOR and the other two licensees that are already operating – Resorts World Manila of Travelers International Hotel Group, Inc. (“Travelers”) and Solaire Resort and Casino of Bloomberry Resorts Corporation. Travelers has also broken ground on its planned Resorts World Bayshore project in PAGCOR City, with the opening thereof reportedly estimated by Travelers in 2018. The fourth licensee, Universal Entertainment Inc., is not yet in operation and the opening date for its resort is still uncertain as of this date.

Suppliers

The Company has a broad base of local and foreign suppliers.

Customers

Belle’s market base includes wealthy local and foreign individual and institutional clients. The Company has historically sold its real estate projects (residential units) to its golf or country club members.

Transactions with and/or Dependence on Related Parties

Please refer to Item 12 of this report (“Certain Relationships and Related Transactions”).

Licenses

Please refer to last section of Item 1 (“Government Regulations”).

Government Approvals/Regulations

As part of its normal course of real estate operation, the Company secures government approvals such as the Environment Compliance Certificate, Development Permits, DAR Clearances, and Licenses to Sell, etc.

The Company is also subject to the regulations of PAGCOR for its Gaming License and Philippine Economic Zone Authority (PEZA) as the developer of the City of Dreams Manila.

Effect of Existing or Probable Government Regulations on the Business

Belle has complied with all the government requirements necessary for its operations.

Future government regulations are perceived to have no material impact to the normal operations of the Company.

Amount Spent on Research and Development Activities and Compliance with Environmental Laws

Consultancy fees, engineering and architectural design, surveying, ECC, permits and licenses, etc. are being added to the cost of the project. Generally, these costs represent about 4% of gross revenues.

No. of Employees

As of December 31, 2014, Belle has 131 employees, all of whom are full-time employees. Belle employees are not subject to Collective Bargaining Agreements. Belle's management had generally not encountered any significant difficulties with its labor force, and no major strikes had been staged in the past.

The following are the breakdown of Belle employees according to type:

Officers	11
Senior Managers to Managers	21
Supervisors and Rank and File	90
Total	122

Aside from the basic salary and 13th month pay, other supplemental benefits or incentives that are being provided by Belle to its employees include: health card, life and accident insurance, retirement plan and salary loan facilities, among others.

Risks

Some of the risks that the Company and its related subsidiaries and affiliates may be exposed to are the following:

Economic and Political Conditions

The Company's business is mainly the development and sale of high-end leisure properties in the Philippines which is generally influenced by the Philippine political and macroeconomic climate. Events and conditions that may negatively impact the Philippine economy as a whole may also adversely affect the Company's ability to sell its real estate projects.

Competition

The degree of competition in the property industry varies considerably by sector and geography. In general, Belle may compete with other developers for purchases of land, as well as clientele for its residential and club projects. However, the Company believes that other major property companies do not generally pursue leisure property development as a core business area.

Changes in Local and International Interest Rates

Belle's local and foreign-denominated borrowings may be adversely affected by drastic increases in interest rates.

Changes in the Value of the Peso

The Company is not exposed to the risk of depreciation of the Peso since it does not have material financial assets and liabilities denominated in foreign currencies.

Contractors and Suppliers

As is the case with most property development companies, there is a risk that contractual arrangements with contractors may not meet the Company's performance standards. To serve as safeguards to these eventualities, therefore, performance bonds are normally required for these contractors.

Government Regulations

Belle's property development business is subject to certain laws and regulations of various branches of the government, such as the local governments, the Department of Environment and Natural Resources ("DENR") and the Housing and Land Use Regulatory Board ("HLURB"). Belle has complied with licensing and regulatory requirements necessary for its operations.

Belle's gaming businesses are also subject to certain laws and regulations. Belle's involvement in the lottery run by the PCSO is via its ownership in Pacific Online, which holds an equipment lease agreement with the PCSO for the operation of on-line lottery system in the Visayas-Mindanao regions. Belle's subsidiary PLC owns PLAI, which holds a License granted to it by PAGCOR to operate integrated resorts, including casinos, within PAGCOR Entertainment City.

Changes to the Philippine Laws and Regulations

Although laws and regulations are enacted for the common benefit, changes to these laws and regulations may create negative effects to the operating and financial condition of Belle, including its subsidiaries and affiliates.

In order to mitigate the risks mentioned above, the Company will continue to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.

Working Capital

Belle finances its working capital requirements through a combination of internally-generated funds, pre-selling and borrowings.

Item 2. Properties

Belle owns undeveloped properties, mostly in Batangas, for future development into residential properties, recreational clubs, and leisure estates for sale. Belle has complete ownership over these real estate properties classified under "Land held for future development" in its books. A small portion of these properties have either liens, encumbrances, or mortgaged to banks as security for term loans.

In 2001, Belle transferred approximately 534 hectares of undeveloped land, mostly in Tagaytay City, to Highlands Prime. Highlands Prime was initially a wholly owned subsidiary of Belle, and became a 36%-owned affiliate after its initial public offering in 2002. In 2013, SM Land Inc. launched a tender offer for all shares of Highlands Prime in exchange for shares in SMPH, under which Belle exchanged its 809 million shares in Highlands Prime for approximately 109 million shares in SMPH.

Belle also owns approximately 5.1 hectares of land, with long-term leasehold interests in 2.0 hectares, in Paranaque City. The City of Dreams Manila integrated resort is located on 4.2 hectares it owns and the 2.0 hectares it is leasing from the Social Security System (SSS).

The Company may engage in future land banking activities in its historical market of Tagaytay and Batangas as its resources and the real estate market allow. However, as of this date, there is no transaction involving a major acquisition of property that is known or anticipated to occur over the next 12 months.

Item 3. Legal Proceedings

The Company and its major subsidiaries and affiliates are not involved in any material legal proceedings, and that their properties are not subject to any material legal proceedings, that could potentially affect their operations and financial capabilities.

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

Except for matters taken up during the Annual Stockholders' Meeting, there were no other matters submitted to a vote of security holders during the period covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

(1) Market Information

The principal market where the registrant's common equity is traded is the Philippine Stock Exchange ("PSE").

The high and low sales prices for each quarter within the last two fiscal years of the registrant's common shares, as quoted on the PSE, are as follows:

Stock Prices

	High	Low
2014		
First Quarter	**5.77**	**4.79**
Second Quarter	**6.15**	**4.41**
Third Quarter	**5.60**	**4.75**
Fourth Quarter	**5.30**	**4.65**
2013		
First Quarter	5.70	5.54
Second Quarter	5.22	5.04
Third Quarter	5.09	4.85
Fourth Quarter	5.02	4.92

As of December 31, 2014, Belle's market capitalization amounted to P51.6 billion based on the closing price of P4.89 per share. Belle's market capitalization as of February 24, 2015 amounted to P46.7 billion based on the closing price of P4.42 per share.

(2) Security Holders

Belle has 1,855 shareholders as of December 31, 2014. Common shares outstanding as of December 31, 2014 totaled 10,559,382,799. The top 20 stockholders as of December 31, 2014, with their corresponding shareholdings and percentage thereof to total shares outstanding, are:

RANK	NAME	No. of Shares Held	% to Total
1	BELLESHARES HOLDINGS, INC.	2,604,740,622	24.668
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	2,141,552,537	20.281
3	PCD NOMINEE CORPORATION (FILIPINO)	1,930,075,870	18.278

RANK	NAME	No. of Shares Held	% to Total
4	SYSMART CORPORATION	1,629,353,802	15.430
5	SM DEVELOPMENT CORPORATION	695,068,560	6.582
6	SYBASE EQUITY INVESTMENTS CORPORATION	531,320,577	5.032
7	SOCIAL SECURITY SYSTEM	370,469,140	3.508
8	EASTERN SEC. DEVT. CORP.	191,733,866	1.816
9	JACINTO C. JR. NG	135,860,666	1.287
10	PREMIUM LEISURE CORP.	99,987,719	0.947
11	JACINTO L. SR. NG	88,835,833	0.841
12	JACINTO JR. NG &/OR ANITA C. NG	18,293,333	0.173
13	WILLY N. OCIER	10,746,372	0.102
14	BENITO TAN GUAT	10,020,000	0.095
15	LIM SIEW KIM	6,200,000	0.059
16	F. YAP SEC., INC. – PH	5,635,000	0.053
17	JAMES GO	4,816,999	0.046
18	WILLIAM T. GABALDON	4,000,000	0.038
19	TDG RETIREMENT FUND	2,536,800	0.024
20	CROWNSTONE RESOURCES	2,240,000	0.021

(3) Dividends

On April 28, 2014, the Company's Board of Directors ("BOD") approved the declaration of cash dividends of Two Centavos (₱0.02) per share. The record date to determine the shareholders entitled to receive the cash dividends was set on May 13, 2014 with the payment made on June 2, 2014.

On January 27, 2015, the Company's BOD approved the declaration of a special dividend of Eighteen Centavos (₱0.18) per share, payable on March 9, 2015 to stockholders of record as of February 10, 2015.

No dividends on common stock were declared in 2013.

There is no legal restriction that limits or would likely limit Belle's ability to pay dividends, aside from its retained earnings available for such.

(4) Recent Sales of Unregistered Securities

The Company did not sell or issue securities within the past three (3) years that were not registered under the Securities Regulation Code.

Item 6. Management Discussion and Analysis of Operating Performance and Financial Condition

December 31, 2014 versus December 31, 2013 Results of Operations (in thousands)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2014	2013	Increase (Decrease)		**2014**	2013
REVENUE						
Interest income on finance lease	**P 1,409,173**	P 1,177,570	**231,603**	19.7%	**44.5%**	44.9%
Equipment rental and instant scratch ticket sales	**949,721**	-	**949,721**	100.0%	**30.0%**	0.0%
Sales of real estate and club shares	**300,252**	175,280	**124,972**	71.3%	**9.5%**	6.7%
Lease income	**188,757**	157,136	**31,621**	20.1%	**6.0%**	6.0%
Revenue from property management	**115,356**	105,033	**10,323**	9.8%	**3.6%**	4.0%
Gaming revenue share	**38,809**	-	**38,809**	100.0%	**1.2%**	0.0%
Termination income	**-**	949,608	**(949,608)**	-100.0%	**0.0%**	36.2%
Others	**161,724**	59,620	**102,104**	171.3%	**5.1%**	2.3%
TOTAL REVENUES	**3,163,792**	2,624,247	**539,545**	20.6%	**100.0%**	100.0%
COST OF LOTTERY SERVICES	**(306,021)**	-	**306,021**	100.0%	**-9.7%**	0.0%
COST OF REAL ESTATE AND CLUB SHARES SOLD	**(125,856)**	(115,389)	**10,467**	9.1%	**-4.0%**	-4.4%
COST OF SERVICES OF PROPERTY MANAGEMENT	**(88,052)**	(60,269)	**27,783**	46.1%	**-2.8%**	-2.3%
COST OF GAMING OPERATIONS	**(7,075)**	-	**7,075**	100.0%	**-0.2%**	0.0%
GENERAL AND ADMINISTRATIVE EXPENSES	**(754,510)**	(642,642)	**111,868**	17.4%	**-23.8%**	-24.5%
FAIR VALUE CHANGE DUE TO CANCELLATION OF SWAP AGREEMENT	**1,219,133**	-	**1,219,133**	100.0%	**38.5%**	0.0%
GAIN ON SIGNIFICANT ACQUISITIONS	**879,348**	-	**879,348**	100.0%	**27.8%**	0.0%
GAIN (LOSS) ON FINANCE LEASE	**(812,842)**	2,324,434	**(3,137,276)**	-135.0%	**-25.7%**	88.6%
ACCRETION OF NONTRADE LIABILITY	**(533,348)**	-	**533,348**	100.0%	**-16.9%**	0.0%
EQUITY IN NET EARNINGS OF ASSOCIATES	**117,190**	119,940	**(2,750)**	-2.3%	**3.7%**	4.6%
INTEREST EXPENSE	**(98,723)**	(103,852)	**(5,129)**	-4.9%	**-3.1%**	-4.0%
INTEREST INCOME	**29,979**	56,112	**(26,133)**	-46.6%	**0.9%**	2.1%
NET FOREIGN EXCHANGE LOSS	**(7,619)**	(86,167)	**(78,548)**	-91.2%	**-0.2%**	-3.3%
GAIN ON SHARE SWAP	**-**	772,247	**(772,247)**	100.0%	**0.0%**	29.4%
OTHER INCOME (CHARGES) - net	**14,747**	81,052	**(66,305)**	-81.8%	**0.5%**	3.1%
INCOME BEFORE INCOME TAX	**2,690,143**	**4,969,713**	**(2,279,570)**	-45.9%	**85.0%**	189.4%
PROVISION FOR INCOME TAX						
Current	**179,943**	305,577	**(125,634)**	-41.1%	**5.7%**	11.6%
Deferred	**(46,474)**	1,027,952	**(1,074,426)**	-104.5%	**-1.5%**	39.2%
	133,469	1,333,529	**(1,200,060)**	-90.0%	**4.2%**	50.8%
	P 2,556,674	P 3,636,184	**(1,079,510)**	-29.7%	**80.8%**	138.6%

Belle Corporation ("Belle" of the "Company") consolidated net income for 2014 was ₱2,556.7 million. This is ₱1,079.5 million (30%) lower than the consolidated net income of ₱3,636.2 million for the year ended December 31, 2013, due to higher non-operating and non-recurring income during 2013. Net non-recurring income during 2013 amounted to approximately ₱3,064.0 million (after related tax provisions), and were comprised of the following: the Termination Income of ₱949.6 million (pre-tax) received from the Philippine affiliates of Melco Crown Entertainment, Ltd. (collectively, "MCE") in March 2013, upon the commencement of MCE's lease on Belle's property to be used for the City of Dreams Manila integrated resort project; a Gain on Finance Lease of ₱2,324.4 million (before ₱697.3 million deferred tax provision) during 2013; and a gain on share swap of the Company's 809 million shares of Highlands Prime, Inc. amounting to ₱772.2 million. Net non-recurring income during 2014 totaled only about ₱1,520.2 million (net of related tax provisions), and were comprised of: a ₱31.4 million (pre-tax) gain on redemption of SMIC retail bonds in April 2014; a ₱1,219.1 million reversal of investment loss reserves by PLC, a Belle subsidiary; a ₱812.8 million Loss on Finance Lease (before ₱243.9 million deferred tax benefit); a ₱879.3 million gain on re-measurement of investment net of non-recurring business acquisition costs at Pacific Online, a subsidiary of Belle. Excluding these non-recurring items, Belle's net income for the year ended December 31, 2014 would have been ₱1,036.5 million, which is higher by approximately ₱464.3 million (81%) compared to adjusted net income for the year ended December 31, 2013 of about ₱572.2 million.

Revenues

Gross revenue of ₱3,163.8 million in 2014 was higher by ₱539.5 million (21%), compared to ₱2,624.2 million in 2013 due to the following: consolidation of Pacific Online revenues starting in June 2014 totaling ₱1,030.3 million (comprising of equipment lease rentals, instant scratch ticket sales and commission income included in "other revenues"); higher interest income on finance lease accounting amounting to ₱231.6 million; higher sales of real estate and club shares amounting to ₱125.0 million; gaming income share from City of Dreams Manila by Premium Leisure Corporation ("PLC") amounting to ₱38.8 million; and dividend income from SM Prime Holdings, included in "other revenues", amounting to ₱22.4 million. The increase in gross revenue was offset by the non-recurring Termination Income in 2013, amounting to ₱949.6 million.

Gross revenue from sales of real estate and club shares for the year ended December 31, 2014 of ₱300.3 million was higher by ₱125.0 million (71%), compared to ₱175.3 million for the year ended December 31, 2013. Gross profit from sales of real estate and club shares for the year ended December 31, 2014 of ₱174.4 million was higher than gross profit therefrom for the year ended December 31, 2013 of ₱59.9 million by ₱114.5 million (191%) due to higher sales of real estate and club shares. There were no new real estate development projects launched by Belle during the year ended December 31, 2014.

Gross revenue from property management services for the year ended December 31, 2014 of ₱115.4 million was higher by ₱10.3 million (10%), compared to ₱105.0 million for the year ended December 31, 2013 due to higher revenue from water services. Gross profit from property management services for the year ended December 31, 2014 of ₱27.3 million was lower by ₱17.5 million (39%), compared to ₱44.8 million for the year ended December 31, 2013, due to higher maintenance, power and water costs.

PLC recognized a share in gaming revenues of City of Dreams Manila in 2014 due to the soft opening of the City of Dreams Manila integrated resorts casino on December 14, 2014. Gross revenue from gaming income of City of Dreams Manila by PLC for the year ended December 31, 2014 of ₱38.8 million is determined based on Net Wins.

Cost of Lottery Services

Cost of lottery services pertains to direct costs of Pacific Online amounting to P306.0 million for the year ended December 31, 2014, which includes: operating supplies amounting to ₱45.3 million; software license fees amounting to ₱81.7 million; consultancy fees amounting to ₱46.6 million; communication fees amounting to ₱63.8 million; and depreciation and amortization of lottery equipment amounting to ₱68.6 million.

Cost of Real Estate and Club Shares Sold
Cost of real estate and clubs shares sold increased by ₱10.5 million (9%) to ₱125.9 million for the year ended December 31, 2014 from ₱115.4 million for the year ended December 31, 2013 due mainly to higher unit sales of real estate and club shares sold during the 2014 period.

Costs of Services of Property Management
Cost of services of property management increased by ₱27.8 million (46%) to ₱88.1 million for the year ended December 31, 2014 from ₱60.3 million due to higher maintenance, power and water costs for the 2014 period.

Costs of Gaming Operations
Cost of gaming operations refers to the service fee paid to consultants by PLC, in respect of its gaming operations.

General and Administrative Expenses
General and administrative expenses increased by ₱111.9 million (17%), from ₱642.6 million for the year ended December 31, 2013 to ₱754.5 million for the year ended December 31, 2014. The increase in general and administrative expenses during 2014 was due to the following: (i) ₱338.6 million general and administrative expenses by Pacific Online, as a result of consolidation and (ii) ₱40.0 million in documentary stamp taxes (DST) pertaining to the ₱4.0 billion estimated liability to AB Leisure Global, Inc. ("ABLGI"), presented as Non-trade Liability Account in Belle's consolidated statement of financial position.

Fair Value Change due to Cancellation of Swap Agreement
PLC, the Company's 78.7%-owned subsidiary, recorded a ₱1,219.1 million net reversal of a provision for impairment of its investment in Legend International Resorts (HK) Limited ("LIR") following the cancellation of 1 billion of its common shares formerly held by Metroplex Berhad, thereby fulfilling the agreement entered into by and among itself, Belle, Metroplex Berhad and LIR in rescinding the Swap Agreement in August 2001 (the "LIR Unwinding").

Gain on Significant Acquisitions - net
This mainly pertains to the gain on revaluation of Belle's consolidated investment in Pacific Online based on a share price of ₱18.6 per share as of June 5, 2014 (which is determined to be the date of acquisition), compared to the carrying amount of Belle's investment in Pacific Online based on equity method of accounting immediately before the acquisition.

Gain (Loss) on Finance Lease
As a result of adjustments made to the Finance Lease Receivable due to modification in cash flows for Phase 1 of the City of Dreams Manila, Belle recognized a Loss amounting to ₱812.8 million in 2014. In 2013, the lease agreement with MCE for Phase 1 was accounted for as a finance lease, in accordance with Philippine Accounting Standards 17 (PAS 17). Belle thus recognized a finance lease receivable measured at the present value of the minimum lease payments, and derecognized the cost of the related building. The excess of the present value of minimum lease payments over the cost of the building amounting to ₱2,324.4 million was recognized as a one-time "Day 1 Gain" in 2013. Under PAS 17, although the lease contract between Belle and MCE is structured as an operating lease, the building lease is treated as a theoretical sale under a capital lease arrangement, notwithstanding the fact that Belle is not relinquishing ownership of any and all property being leased to MCE.

Equity in Net Earnings of Associates
The Company's equitized net earnings from associated companies decreased by ₱2.8 million (2%), to ₱117.2 million for 2014 from ₱119.9 million during 2013, due to the consolidation of Pacific Online in 2014. Pacific Online, of which Belle and PLC own a combined 51.9% of common shares outstanding, brought a net income of ₱241.8 million for 2014, compared to equitized earnings of ₱113.1 million out of Pacific Online's net income of ₱323.7 million in the 2013. Belle's total ownership in Pacific Online was increased to 51.9% (from 34.94% as of December 31, 2013) after a series of share purchases in the secondary market at the Philippine Stock Exchange during the first half of 2014. Woodland Development

Corporation (“WDC”), Belle’s 47%-owned associate, brought equitized earnings of ₱1.3 million out of WDC’s net income of ₱2.7 million for the year ended December 31, 2014.

Financial Income and Expenses

Interest expense decreased by ₱5.1 million (5%), to ₱98.7 million for 2014, from ₱103.9 million for 2013. Interest income decreased by ₱26.1 million, to ₱30.0 million in 2014 from ₱56.1 million in 2013, mainly due to decreases in average invested cash levels.

Net Foreign Exchange Loss

The foreign exchange translation loss of ₱7.6 million for 2014 (based on a foreign exchange rate of ₱44.72:US$1.00 as of December 31, 2014 vs. foreign exchange rate of ₱44.40:US$1.00 as of December 31, 2013) decreased by ₱78.5 million from ₱ 86.2 million for 2013 period (based on a foreign exchange rate of ₱44.40:US$1.00 as of December 31, 2013 vs. ₱44.05:US$1.00 as of December 31, 2012). The decrease was mainly due to the settlement of the Company’s US$22 million in foreign currency denominated Floating Rate Notes (the “FRNs”) in May 2014, based on a foreign exchange rate upon settlement of ₱44.40:US$1.00. In 2013, the Company, recorded a foreign exchange loss of ₱12.5 million from an Escrow Deposit of US$57.5 million that was being maintained for the PAGCOR License, upon termination thereof in May 2013 (as MCE put up its own Escrow Deposit to replace it) and recognized additional foreign exchange translation losses of ₱73.7 million from its FRNs.

Provisions for Income Taxes

Provisions for taxes decreased by ₱1,200.1 million (90%), to ₱133.5 million for 2014 from ₱1,133.5 million for the year ended December 31, 2013, mainly due to the following: (i) deferred tax asset recognized on NOLCO and excess MCIT as of December 31, 2014 totaling ₱188.8 million; (ii) deferred tax asset recognized on the Loss on finance lease 2014 amounting to ₱243.9 million; and (iii) ₱697.3 million deferred tax liability on the ₱2,234.4 million Day 1 gain on finance lease 2013.

December 31, 2014 versus December 31, 2013 Statement of Financial Position (in thousands)

	December		Horizontal Analysis		Vertical Analysis	
	2014	2013	**Inc (Dec)**	**%**	**2014**	2013
ASSETS						
Current Assets						
Cash and cash equivalents	**P 6,326,509**	P 1,170,396	5,156,113	440.5%	**15.3%**	3.7%
Investments held for trading	**262,815**	-	262,815	100.0%	**0.6%**	0.0%
Receivables	**1,474,911**	1,222,374	252,537	20.7%	**3.6%**	3.9%
Current portion of:						
Finance lease receivable	**722,745**	942,911	(220,166)	-23.3%	**1.7%**	3.0%
Advances to associates - net	**-**	176,723	(176,723)	-100.0%	**0.0%**	0.6%
Real estate for sale	**935,530**	654,967	280,563	42.8%	**2.3%**	2.1%
Club shares	**2,700,551**	2,810,221	(109,670)	-3.9%	**6.5%**	8.9%
Other current assets	**2,193,830**	679,316	1,514,514	222.9%	**5.3%**	2.2%
	14,616,891	7,656,908	6,959,983	90.9%	**35.3%**	24.3%
Noncurrent Assets						
Real estate for sale	**3,018,515**	2,937,309	81,206	2.8%	**7.3%**	9.3%
Finance lease receivable - net of current portion	**8,866,747**	8,809,301	57,446	0.7%	**21.4%**	27.9%
Investments in and advances to associates - net	**93,909**	801,293	(707,384)	-88.3%	**0.2%**	2.5%
Available-for-sale financial assets	**1,887,379**	1,773,793	113,586	6.4%	**4.6%**	5.6%
Investment properties	**4,432,277**	2,958,707	1,473,570	49.8%	**10.7%**	9.4%
Property and equipment	**576,817**	176,014	400,803	227.7%	**1.4%**	0.6%
Intangible asset	**5,249,552**	5,261,186	(11,634)	-0.2%	**12.7%**	16.7%
Goodwill	**1,828,578**	-	1,828,578	100.0%	**4.4%**	0.0%
Pension asset	**1,103**	12,515	(11,412)	-91.2%	**0.0%**	0.0%
Deferred tax asset	**41,234**	-	41,234	100.0%	**0.1%**	0.0%
Held-to-maturity investments	**-**	750,000	(750,000)	-100.0%	**0.0%**	2.4%
Other noncurrent assets	**778,084**	416,822	361,262	86.7%	**1.9%**	1.3%
	26,774,195	23,896,940	2,877,255	12.0%	**64.7%**	75.7%
	P 41,391,086	P 31,553,848	9,837,238	31.2%	**100.0%**	100.0%
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other current liabilities	**P 2,930,340**	P 2,469,852	460,488	18.6%	**4.7%**	7.8%
Loans payable	**3,000,017**	200,466	2,799,551	1396.5%	**28.5%**	0.6%
Assignment of receivables with recourse	**28,026**	89,549	(61,523)	-68.7%	**-0.6%**	0.3%
Current portion of:					**0.0%**	0.0%
Estimated liability on construction costs	**1,035,028**	-	1,035,028	#DIV/0!	**10.5%**	0.0%
Nontrade liability	**274,562**	-	274,562	100.0%	**2.8%**	0.0%
Obligations under finance lease	**16,356**	-	16,356	100.0%	**0.2%**	0.0%
Installment payable	**928**	-	928	100.0%	**0.0%**	0.0%
Long-term debt	**12,500**	1,034,210	(1,021,710)	-98.8%	**-10.4%**	3.3%
Income tax payable	**56,546**	-	56,546	100.0%	**0.6%**	0.0%
	7,354,303	**3,794,077**	3,560,226	93.8%	**36.2%**	12.0%
Noncurrent Liabilities						
Noncurrent portion of:						
Estimated liability on construction costs	-	2,247,567	(2,247,567)	-100.0%	**-22.8%**	0.0%
Nontrade liability	**3,966,694**	4,000,000	(33,306)	-0.8%	**-0.3%**	12.7%
Obligations under finance lease	**76,494**	-	76,494	100.0%	**0.8%**	0.0%
Installment payable	**198**		198	100.0%	**0.0%**	0.0%
Long-term debt	**1,737,500**	468,590	1,268,910	100.0%	**12.9%**	1.5%
Deferred tax liabilities	**806,229**	836,530	(30,301)	-3.6%	**-0.3%**	2.7%
Pension liability	**18,787**	-	18,787	100.0%	**0.2%**	0.0%
	6,605,902	**7,552,687**	(946,785)	-12.5%	**-9.6%**	23.9%
	13,960,205	11,346,764	2,613,441	23.0%	**26.6%**	36.0%
Equity						
Arttributable to equity holders of parent:						
Preferred stock	**-**	1,000,000	(1,000,000)	-100.0%	**-10.2%**	3.2%
Common stock	**10,559,383**	10,559,383	-	0.0%	**0.0%**	33.5%
Additional paid-in capital	**5,503,731**	5,503,731	-	0.0%	**0.0%**	17.4%
Equity share in cost of Parent Company shares held by associa	**(2,501)**	(2,501)	-	0.0%	**0.0%**	0.0%
Cost of Parent Company common and preferred shares held b	**(1,604,824)**	(2,257,631)	652,807	-28.9%	**6.6%**	-7.2%
Unrealized gain (loss) on available-for-sale financial assets - r	**87,046**	(190,785)	277,831	-145.6%	**2.8%**	-0.6%
Other reserves	**3,272,665**	21,386	3,251,279	15202.8%	**33.1%**	0.1%
Excess of net asset value of an investment over cost	**252,040**	252,040	-	0.0%	**0.0%**	0.8%
Retained Earnings	**6,530,078**	4,533,666	1,996,412	44.0%	**20.3%**	14.4%
Total equity attributable to equity holders of the Parent	**24,597,618**	19,419,289	5,178,329	26.7%	**52.6%**	61.5%
Non-controlling interests	**2,833,263**	787,795	2,045,468	259.6%	**20.8%**	2.5%
Total Equity	**27,430,881**	20,207,084	7,223,797	35.7%	**73.4%**	64.0%
	P 41,391,086	P 31,553,848	9,837,238	31.2%	**100.0%**	100.0%

ASSETS

Total assets of the Company increased by ₱9,837.2 million (31%), to ₱41,391.1 million as of December 31, 2014, from ₱31,553.8 million as of December 31, 2013.

Cash and Cash Equivalents

Cash and cash equivalents increased by ₱5,156.1 million (441%), to ₱6,326.5 million as of December 31, 2014, from ₱1,170.4 million as of December 31, 2013, due to the following: (i) borrowings amounting to ₱7,050.0 million; (ii) proceeds from disposal of SMIC retail bonds amounting to ₱781.4 million; (iii) rental receipts from MCE of ₱882.7 million; (iv) consolidation of Pacific Online's cash and cash equivalents amounting to ₱463.3 million; (v) proceeds from sale of PLC shares amounting to ₱5,534.5 million; (vi) proceeds from sale of real estate and club shares and revenue from property management services totaling ₱770.0M; and (vii) interest and dividends received amounting to ₱154.9 million. These were offset by: (i) construction costs amounting to ₱4,073.0 million; (ii) payment of capital gains taxes amounting to ₱1,103.7 million on transfers of assets between Belle and PLC; (iii) settlement of FRNs amounting to ₱974.7 million upon maturity in May 2014; (iv) loan repayments amounting to ₱3,038.8 million; (v) acquisition of 44.5 million additional Pacific Online shares at a total cost amounting to ₱624.3 million; and (vi) Belle's cash dividends amounting to ₱205.8 million paid in July 2014.

Receivables net

Receivables increased by ₱252.5 million (21%), to ₱1,474.9 million as of December 31, 2014 from ₱1,222.3 million as of December 31, 2013. The increase was mainly due to higher receivables from MCE arising from construction costs for the interiors of City of Dreams Manila advanced by Belle and consolidation of Pacific Online's receivables effective June 5, 2014.

Finance Lease Receivables

Due to the requirements under Philippine Accounting Standards Rule 17 ("PAS 17"), management has accounted for its lease agreement with MCE for the City of Dreams Manila building as a finance lease, even though there is neither a requirement nor any intention to transfer title therefor to MCE. The Company thus recorded a finance lease receivable equivalent to the fair value of the leased property, amounting to ₱9,375.0 million (fair valuation was determined by discounting minimum lease payments at the inception date of the lease agreement).

Real Estate for Sale and Club Shares

Real estate for sale increased by ₱361.8 million (10%), to ₱3,954.0 million as of December 31, 2014 from ₱3,592.3 million as of December 31, 2013 due to construction of projects in Tagaytay Highlands. Club shares held by the Company, valued at historical cost, decreased by ₱109.7 million (4%), to ₱2,700.6 million as of December 31, 2014 from ₱2,810.2 million as of December 31, 2013.

Investments in and Advances to Associates

Investments and advances decreased by ₱884.1 million (90%), to ₱93.9 million in as of December 31, 2014, from ₱978.0 million in December 2013. The decrease was mainly due to the consolidation of Pacific Online upon attainment of consolidated ownership of 50.7% in June 2014, whereas Pacific Online was previously accounted for as an associated company.

Investment in Held for Trading

This pertains to investments held by Pacific Online in companies that are not subsidiaries or associates of Belle, comprised of listed shares of stock in Leisure and Resorts World Corporation, Vantage Equities, Inc., APC Group, Inc., DFNN, Inc., ISM Communications Corp. and Philippine Long Distance Telephone Company.

Available-for-sale Investments

Available-for-sale investments increased by ₱113.6 million (6%), to ₱1,887.4 million in December 2014 from ₱1,773.8 million in December 2013, due mainly to increases in fair value of such available-for-sale investments. These investments consists of listed shares in SM Prime Holdings, Inc. and SM Investments Corporation.

Investment Properties
Investment properties increased by ₱1,473.6 million (50%), from ₱2,958.7 million as of December 31, 2013 to ₱4,432.3 million as of December 31, 2014, mainly due to construction costs incurred in 2014 for Phase 2 of City of Dreams Manila.

Intangible Asset
This pertains to the cost of PAGCOR License to operate integrated resorts that was granted by PAGCOR to PLAI. The decrease from last year's balance of ₱11.6 million pertains to the amortization of the intangible asset on the License which started on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR.

Goodwill
The Company recognized goodwill amounting to ₱1,828.6 million, as a result of consolidating Pacific Online starting June 5, 2014 and acquisition of Falcon Resources Inc. by Total Gaming Technologies Inc., a subsidiary of Pacific Online, on December 11, 2014.

Other Assets
Other assets increased by ₱559.0 million (51%), to ₱1,655.1 million as of December 31, 2014 from ₱1,096.1 million as of December 31, 2013, mainly due to the increase in input VAT amounting to ₱410.0 million and consolidation of other assets held by Pacific Online amounting to ₱134.3 million.

LIABILITIES
Total liabilities increased by ₱2,613.4 million (23%), to ₱13,960.2 million as of December 31, 2014, from ₱11,346.8 million as of December 31, 2013, mainly due to increase in loans payable, net of decreases in long-term debt and estimated liability on construction costs.

Loans Payable and Long-Term Debt
Total debt, amounting to ₱4,750.0 million as of December 31, 2014, pertains to Peso loans from various local financial institutions, with average interest at 3.8% per annum. The Company repaid its US$22 million in Floating Rate Notes (FRNs) upon maturity in May 2014, and prepaid Peso long-term debt incurred for the City of Dreams Manila integrated resort project of ₱502.3 million. Total debt increased by ₱3,046.7 million (179%), from ₱1,703.3 million as of December 31, 2013 to ₱6,350.0 million as of December 31, 2014, due mainly to loan availments totaling ₱7,050.0 million in 2014.

Accounts Payable and Other Liabilities
Accounts payable and other liabilities increased by ₱460.5 million (19%), to ₱2,930.3 million in December 2014 compared to ₱2,469.9 million in December 2013 due mainly to the increases in trade payables. Comprising accounts payable and other liabilities are principally trade payables of ₱1,955.8 million, non-trade payables of ₱509.6 million, accrued expenses of ₱369.4 million, advances from related parties of ₱75.3 million and customers' deposits of ₱22.4 million.

Estimated Liability for Construction
The Company recorded an estimated liability for construction costs for City of Dreams Manila in March 2013 amounting to ₱2,247.6 million, as a result of accounting for its lease agreement with MCE pertaining to the City of Dreams Manila building as a finance lease, as required under PAS 17. The estimated liability decreased by ₱1,212.5 (54%), to ₱1,035.0 million in December 31, 2014 due mainly to payments made to contractors.

Obligations under Finance Lease
This pertains to Pacific Online's lottery equipment under finance lease accounting.

Non-trade Liability
On May 20, 2013, Belle, PLAI, BGRHC, ABLGI and LRWC entered into a Memorandum of Agreement, whereby Belle and PLAI have agreed to grant ABLGI the right to the settlement of amounts equivalent to 30% of the net lease income of the City of Dreams Manila located at Aseana Business Park in Paranaque City (the "Project") in consideration of the waiver of ABLGI's rights as casino operator, the termination ABLGI agreements and the grant of advances of ₱4,000.0 million (ABLGI advance) as funding for the

construction of the casino integrated resort building. The carrying value of nontrade liability amounted to ₱4,000.0 million as at December 31, 2013.

In December 2014, the implementing agreement has been executed with effectivity of terms and conditions retrospective January 1, 2014. The ₱4,000.0 million ABLGI Advance was determined as the fair value of ABLGI's 30% share in the net lease income of the Project. Such liability shall be accreted over the lease term using implicit interest rate of 13.13% per annum. The carrying value of nontrade liability amounted to ₱4,241.3 million as at December 31, 2014.

EQUITY

The Company's shareholder's equity as of December 31, 2014 of ₱27,430.9 million was higher by ₱7,223.8 million (36%), compared to the level as of December 31, 2013 of ₱20,207.1 million. The increase resulted from increases in Other Reserves, Non-controlling Interests and Retained Earnings (see following discussions).

Preferred Stock and Cost of Parent Company Shares held By Subsidiaries

In July 2014 Belle redeemed through cash payment and cancelled its preferred shares held by PLC. Consequently, the cancellation of the preferred shares also decreased the cost of parent company shares held by subsidiaries by ₱1 billion. The decrease in cost of parent company shares held by subsidiaries was offset by the Belle common shares held by Pacific Online amounting to P347.2 million. Pacific Online was consolidated by the Group in June 2014 when the Group increased its ownership from 34.9% to 51.9% of common shares outstanding.

Other Reserves

In September 2014, Belle and its subsidiaries sold 3,173.7 million PLC shares (constituting approximately 12% interest in PLC) to stockholders comprising minority interests in PLC, with total net proceeds of ₱5,123.5 million. The excess of the proceeds from the sale over the equivalent carrying amount of the 12% interest in PLC was recognized as an increase in other reserves. Belle's ownership in PLC stood at about 79% as at December 31, 2014. Transaction costs amounting to ₱1,084.3 on transfers of assets between Belle and PLC was recognized as a decrease in other reserves.

Non-controlling Interest

Non-controlling interests increased by ₱2,045.5 million, from ₱787.8 million as of December 31, 2013 to ₱2,833.3 million as of December 31, 2014, mainly due to the following: (a) acquisition of additional non-controlling interest in Pacific Online amounting to ₱665.9 million; (b) settlement of subscription receivables amounting to ₱1,165.6 million (c) net profit attributable to non-controlling interest amounting to ₱354.4 million and (d) sale of interest in PLC without loss of control in a secondary offering amounting to ₱1,704.1 million.

Retained Earnings

For the year ended December 31, 2014, the Company recorded consolidated net income attributable to equity holders of the parent amounting to ₱2,202.3 million that augmented retained earnings. Transactions reducing retained earnings were its payment of cash dividends amounting to ₱205.8 million in July 2014. The Company thus had consolidated retained earnings of ₱5,568.1 million as of December 31, 2014, compared to consolidated retained earnings of ₱4,533.7 million as of December 31, 2013.

Below are the comparative key performance indicators of the Company and its subsidiaries:

	Manner by which the Company calculates the key performance indicators	**31 Dec 2014**	31 Dec 2013
Asset to equity ratio	Total assets over equity	**1.51: 1.00**	1.56 : 1.00
Current or Liquidity ratio	Current assets over current liabilities	**1.99: 1.00**	1.71 : 1.00
Debt-to-equity ratio	Interest-bearing debt over equity	**0.17: 1.00**	0.29 : 1.00
Net debt-to-equity ratio	Interest-bearing debt less cash and cash equivalents, HTM investments and escrow fund over equity	**(0.06): 1.00**	0.19 : 1.00
Interest rate coverage ratio	EBIT over interest expense	**13.68:1.00**	17.39 : 1.00
Return on assets	Annualized net income over average total assets during the period	**7.0%**	2.3%
Return on equity	Annualized net income over average equity during the period	**10.6%**	3.4%

The Company does not foresee any cash flow or liquidity problems over the next twelve months. As at December 31, 2014, total loans of the Company of ₱4,750.0 million were comprised short-term bank borrowings of ₱3,000.0 million and long-term debt of ₱1,750.0 million. Belle has a number of revenue-generating projects, rental income and expected dividends from subsidiaries from which to receive cash flow. Meanwhile, the Company continues to be in compliance with the terms of all of its debt obligations.

As at December 31, 2014, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Any Known Trends, Events or Uncertainties (Material Impact on Liquidity) Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures:

Under the License granted to PLAI by PAGCOR, the parties in Consortium (PLAI, Belle and MCE) are committed to invest a minimum of US $1 billion ("Investment Commitment") into the Project. Under the PAGCOR Guidelines, of the US$1.0 billion, US$650.0 million shall be invested upon the opening of the integrated resort and the other US$350.0 million shall be invested within a period of three (3) years from the commencement of the integrated resort operations. The Investment Commitment shall be composed of the value of the land (a maxium of up to US$150 million) and the development costs of the infrastructures and facilities within the Project. The Consortium already exceeded the Investment Commitment upon the soft opening of City of Dreams Manila on December 14, 2014.

- Any Known Trends, Events or Uncertainties (Material Impact on Sales)
- Any Significant Elements of Income or Loss (from continuing operations)

December 31, 2013 versus December 31, 2012 Results of Operations (in thousands)

	Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2013	2012	**Increase (Decrease)**		**2013**	2012
REVENUE						
Interest income on finance lease accounting	**P 1,177,570**	P -	**1,177,570**	100.0%	**44.9%**	0.0%
Termination fee income	**949,608**	-	**949,608**	100.0%	**36.2%**	0.0%
Sales of real estate and club shares	**175,280**	323,563	**(148,283)**	-45.8%	**6.7%**	65.4%
Lease income	**157,136**	18,427	**138,709**	752.7%	**6.0%**	3.7%
Revenue from property management	**105,033**	95,272	**9,761**	10.2%	**4.0%**	19.3%
Others	**59,620**	57,171	**2,449**	4.3%	**2.3%**	11.6%
	2,624,247	494,433	**2,129,814**	430.8%	**100.0%**	100.0%
			-			
COST OF REAL ESTATE AND CLUB SHARES SOLD	**(115,389)**	(117,152)	**(1,763)**	-1.5%	**-4.4%**	-23.7%
COST OF SERVICES OF PROPERTY MANAGEMENT	**(60,269)**	(72,943)	**(12,674)**	-17.4%	**-2.3%**	-14.8%
GENERAL AND ADMINISTRATIVE EXPENSES	**(642,642)**	(275,450)	**367,192**	133.3%	**-24.5%**	-55.7%
DAY 1 GAIN ON FINANCE LEASE ACCOUNTING	**2,324,434**	-	**2,324,434**	100.0%	**88.6%**	0.0%
GAIN ON SHARE SWAP	**772,247**	-	**772,247**	100.0%	**29.4%**	0.0%
EQUITY IN NET EARNINGS OF ASSOCIATES	**119,940**	288,730	**(168,790)**	-58.5%	**4.6%**	58.4%
INTEREST EXPENSE	**(103,852)**	(128,151)	**(24,299)**	-19.0%	**-4.0%**	-25.9%
NET FOREIGN EXCHANGE LOSS	**(86,167)**	(36,718)	**(49,449)**	134.7%	**-3.3%**	-7.4%
INTEREST INCOME	**56,112**	116,453	**(60,341)**	-51.8%	**2.1%**	23.6%
GAIN ON LIQUIDATING DIVIDEND	**-**	539,671	**(539,671)**	-100.0%	**0.0%**	109.1%
OTHER CHARGES - net	**81,052**	(95,064)	**(176,116)**	-185.3%	**3.1%**	-19.2%
INCOME BEFORE INCOME TAX	**4,969,713**	713,809	**4,255,904**	596.2%	**189.4%**	144.4%
PROVISION FOR (BENEFIT FROM) INCOME TAX						
Current	**305,577**	79,154	**226,423**	286.1%	**11.6%**	16.0%
Deferred	**1,027,952**	78,992	**948,960**	1201.3%	**39.2%**	16.0%
	1,333,529	158,146	**1,175,383**	743.2%	**50.8%**	32.0%
NET INCOME	**P 3,636,184**	P 555,663	**3,080,521**	554.4%	**138.6%**	112.4%

Belle Corporation ("Belle" or "the Company") realized consolidated net income of ₱3,636.2 million for the year ended December 31, 2013. The Company's 2013 net income was ₱3,080.5 million (554%) higher than consolidated net income of ₱555.7 million for the year ended December 31, 2012. This was achieved due to significantly higher revenues, a Day 1 Gain on Finance Lease Accounting ("Day 1 Gain") of ₱2,324.4 million and a gain on the swap of the Company's 809 million shares of Highlands Prime, Inc. for 109 million shares of SM Prime Holdings, Inc. amounting to ₱772.2 million (the "Swap Gain") during 2013.

Revenues

Gross revenue of ₱2,624.2 million was higher by ₱2,129.8 million (431%), compared to ₱494.4 million in 2012, due to the receipt of revenues arising from the lease and operating agreements with Philippine Subsidiaries of Melco Crown Entertainment, Ltd. (collectively, "MCE") totaling ₱2,284.3 million, comprised of a termination fee of ₱949.6 million received from MCE in March 2013, the termination fee represents the various costs MCE agreed to absorb as one the conditions of the Company in including MCE as co-licensees of the City of Dreams Manila integrated resort complex, ₱157.1 million in current lease income on 6.2 hectares of leased land and ₱1,177.6 million in interest income on finance lease accounting for approximately 17 hectares of building space, which total an increase of ₱2,265.9 million compared to total lease income of ₱18.4 million in 2012.

The lease agreement with Melco for casino building phase 1 has been accounted for under finance lease, in accordance with Philippine Accounting Standards 17 (PAS 17). Under the finance lease, Belle recognized finance lease receivable measured at present value of the minimum lease payments, and derecognized the cost of the related asset. The excess of the present value of minimum lease payments over cost of the asset amounting to ₱2,324.4 million was recognized as one-time "Day 1 Gain on finance lease". Under PAS 17, the building lease is treated as a theoretical sale under a capital lease arrangement, notwithstanding the fact that

Belle is not relinquishing ownership of any and all property being leased to MCE. The Company has been devoting significant resources to development activities connected with its integrated resort project located in Aseana Business Park in Parañaque City, which will be named "City of Dreams Manila" and is targeted for its Grand Opening within 2014. City of Dreams Manila, which carries the brand name of MCE's flagship resort in Macau's Cotai Strip, will be operated by MCE through an operating agreement with Belle and its wholly-owned subsidiary, PremiumLeisure and Amusement, Inc. ("PLAI").

Gross revenue from sales of real estate and club shares for 2013 of ₱175.3 million was lower by ₱148.3 million (46%), compared to ₱323.6 million in 2012. Gross profit from sales of real estate and club shares for 2013 of ₱59.9 million was also lower than gross profit therefrom during 2012 of ₱206.4 million by ₱146.5 million (71%), due to lower sales of real estate and club shares. There were no new real estate projects launched by the Company in 2013 and 2012.

Cost of Real Estate and Club Shares Sold

Cost of real estate and clubs shares sold decreased by ₱1.8 million (2%) to ₱115.4 million in 2013 from ₱117.2 million in 2012 due mainly to lower unit sales of real estate and club shares sold in 2013.

Cost of Services of Property Management

Cost of services of property management decreased by ₱12.6 million (17.4%) to ₱60.3 million in 2013 from ₱72.9 million in 2012 due to lower maintenance and water costs in 2013.

General and Administrative Expenses

General and administrative expenses increased by ₱367.2 million (133%), from ₱275.5 million in 2012 to ₱642.6 million in 2013. The substantial increase in general and administrative expenses was due to the following: (i) expenses directly related to PLAI; (ii) higher depreciation expense of ₱50.9 million in 2013 compared to ₱30.9 million in 2012; (ii) higher administrative expenses of ₱182.4 million in 2013 compared to ₱109.4 million in 2012,mainly due to higher office rentals and professional fees; and (iii) Payment to AB Leisure Global, Inc. in consideration for the waiver of rights under its previous agreements with the Company, amounting to ₱283.5 million. These increases were partially offset by lower selling expenses of ₱23.9 million in 2013, compared to ₱37.0 million in 2012.

Financial Income and Expenses

Interest expense decreased by ₱24.5 million (19%), to ₱103.9 million in 2013, from ₱128.2 million in 2012. The decrease was caused in large part by lower borrowings during 2013, compared to 2012. The Company also capitalized borrowing costs amounting to ₱111.0 million in 2013 and ₱247.0 million in 2012, on borrowings incurred for construction of City of Dreams Manila.

Interest income decreased by ₱60.4 million (52%), from ₱116.5 million in 2012 to ₱56.1 million in 2013 due to lower interest rates and the termination of the Company's US$57.5 million Escrow Deposit (maintained for its PAGCOR license) in May 2013, as MCE put up its own Escrow Deposit to replace it.

Equity in Net Earnings of Associates

The Company's equitized net earnings from associated companies decreased by ₱176.4 million (61%) to ₱119.9 million in 2013, from ₱288.7 million in 2012. Pacific Online Systems Corporation ("Pacific Online"), owned 35% by Belle during 2013, brought equitized earnings of ₱113.1 million out of net income of ₱323.7 million in 2013, compared to equitized earnings of ₱142.1 million out of net income of ₱406.8 million in 2012. Pacific Online leases on-line equipment to the Philippine Charity Sweepstakes Office for their lottery operations located mostly in Visayas and Mindanao. Woodland Development Corporation ("WDC"), Belle's 47%-owned associate, brought equitized earnings of ₱3.8 million out of net income of ₱8.0 million in the 2013 period, compared to equitized earnings of ₱135.0 million out of net income of P287.3 million in the 2012 period. The significant decrease in net income of WDC during 2013 was due to a one-time gain on sale of land to SM Development Corporation recognized in 2012.

Gain on Liquidating Dividend

In November 2012, the Company received its assigned land valued at ₱1,054.2 million, with 42,166 square meters in area, as a liquidating dividend from Belle Bay City Corporation ("BBCC"). The receipt of the land from BBCC as liquidating dividend resulted in the cancelation of Belle's investments in BBBC and recognition of a gain on liquidating dividend of ₱539.7 million.

Net Foreign Exchange Loss

The Company posted total foreign exchange translation losses of ₱86.2 million in 2013, arising from its US$22 million in foreign currency denominated Floating Rate Notes (the "FRNs") due in 2014 and its US$50.0 million escrow deposit maintained as required under its PAGCOR license (the "Escrow Deposit") until May 2013 (when MCE put up its own Escrow Deposit to replace it). Comparatively, its net foreign exchange translation losses in 2012 amounted to ₱36.7 million.

The Company recorded a foreign exchange translation loss from its FRNs of ₱73.7 million in 2013 (based on a foreign exchange rate of ₱44.40:US$1.00 as of December 31, 2013 vs. ₱41.05:US$1.00 as of December 31, 2012) compared to a foreign exchange translation gain of ₱61.4 million in 2012 (based on a foreign exchange rate of ₱41.05:US$1.00 as of December 31, 2012 vs. ₱43.84:US$1 as of December 31, 2011).

During 2013, the Company recorded a foreign exchange loss of ₱12.5 million from its Escrow Deposit, upon termination thereof in May 2013, based on a foreign exchange rate upon termination of ₱40.85:US$1.00 vs. the foreign exchange rate of ₱41.05:US$1.00 as of December 31, 2013. In 2012, the Company recorded a foreign exchange translation loss on the Escrow Deposit of ₱98.1 million, based on the foreign exchange rate as of December 31, 2012 of ₱41.05:US$1.00 vs. the actual conversion rate of ₱43.02:US$1.00 in June 2012.

Provision for Income Tax

Provision for income tax increased by ₱1,175.4 million (743%), to ₱1,333.5 million in 2013 from ₱158.1 million in 2012, due to the higher taxable income and a ₱697.3 million deferred tax liability recognized on the ₱2,324.4 million Day 1 Gain in 2013.

Net Income

As a result of the foregoing, Belle Corporation realized consolidated net income of ₱3,636.2 million for 2013. This is ₱3,080.5 million (554%) higher than the consolidated net income of ₱555.7 million for 2012 and comprises a record level. Moreover, the Company's consistent profitability has allowed it to post positive consolidated retained earnings of ₱4,533.7 million as of December 31, 2013.

31 December 2013 versus 31 December 2012 Statement of Financial Position (in thousands)

		December 31, 2013		December 31, 2012	Horizontal Analysis		Vertical Analysis	
		Audited		Audited	**Inc (Dec)**	**%**	**2013**	2012
ASSETS								
Cash and cash equivalents	**P**	**1,170,396**	P	1,419,711	(249,315)	-17.6%	**3.7%**	5.6%
Short-term Investments		**-**		965	(965)	-100.0%	**0.0%**	0.0%
Receivables		**1,210,787**		1,352,972	(142,185)	-10.5%	**3.8%**	5.3%
Finance lease receivable		**9,752,212**		-	9,752,212	100.0%	**30.9%**	0.0%
Real estate for sale - at cost		**3,592,276**		2,901,335	690,941	23.8%	**11.4%**	11.4%
Club shares - at cost		**2,810,221**		2,812,642	(2,421)	-0.1%	**8.9%**	11.0%
Investments in and advances to associates - net		**978,016**		1,883,059	(905,043)	-48.1%	**3.1%**	7.4%
Available-for-sale financial assets		**1,773,793**		28,619	1,745,174	6098.0%	**5.6%**	0.1%
Held-to-maturity investments		**750,000**		750,000	-	0.0%	**2.4%**	2.9%
Advances to related parties - net		**11,587**		482,469	(470,882)	-97.6%	**0.0%**	1.9%
Investment properties		**2,958,707**		5,584,824	(2,626,117)	-47.0%	**9.4%**	21.9%
Property and equipment		**176,014**		160,283	15,731	9.8%	**0.6%**	0.6%
Intangible assets		**5,261,186**		5,261,186	-	0.0%	**16.7%**	20.7%
Escrow fund		**-**		2,064,450	(2,064,450)	-100.0%	**0.0%**	8.1%
Pension asset		**12,515**		1,643	10,872	661.7%	**0.0%**	0.0%
Other assets		**1,096,138**		758,284	337,854	44.6%	**3.5%**	3.0%
Total Assets	**P**	**31,553,848**	P	25,462,442	6,091,406	23.9%	**100.0%**	100.0%
LIABILITIES AND EQUITY								
Liabilities								
Loans payable	**P**	**200,466**	P	2,081,714	(1,881,248)	-90.4%	**0.6%**	8.2%
Accounts payable and other liabilities		**2,469,852**		1,869,808	600,044	32.1%	**7.8%**	7.3%
Income tax payable		**-**		416	(416)	-100.0%	**0.0%**	0.0%
Assignment of receivables with recourse		**89,549**		-	89,549	100.0%	**0.3%**	0.0%
Deferred tax liabilities - net		**836,530**		167,944	668,586	398.1%	**2.7%**	0.7%
Long-term debt		**1,502,800**		4,719,165	(3,216,365)	-68.2%	**4.8%**	18.5%
Estimated liability on construction costs		**2,247,567**		-	2,247,567	100.0%	**7.1%**	0.0%
Nontrade liability		**4,000,000**		-	4,000,000	100.0%	**12.7%**	0.0%
Total Liabilities		**11,346,764**		8,839,047	2,507,717	28.4%	**36.0%**	34.7%
Equity								
Attributable to equity holders of the parent:								
Preferred stock		**1,000,000**		1,000,000	-	0.0%	**3.2%**	3.9%
Common stock		**10,559,383**		10,559,383	-	0.0%	**33.5%**	41.5%
Additional paid-in capital		**5,503,731**		5,503,731	-	0.0%	**17.4%**	21.6%
Equity share in cost of Parent Company shares held by associates		**(2,501)**		(731,696)	729,195	-99.7%	**0.0%**	-2.9%
Cost of Parent Company shares held by subsidiaries		**(2,257,631)**		(562,375)	1,695,256	-301.4%	**-7.2%**	-2.2%
Unrealized gain on available-for-sale financial assets - net		**(190,785)**		14,868	(205,653)	-1383.2%	**-0.6%**	0.1%
Other reserves		**21,386**		(1,225)	22,611	-1845.8%	**0.1%**	0.0%
Excess of net asset value of an investment over cost		**252,040**		-	252,040	0.0%	**0.8%**	0.0%
Retained Earnings		**4,533,666**		893,813	3,639,853	407.2%	**14.4%**	3.5%
Total Equity Attributable to Equity Holders of the Parent		**19,419,289**		16,676,499	6,133,302	36.8%	**61.5%**	65.5%
Non-Controlling Interests		**787,795**		(53,104)	840,899	-1583.5%	**2.5%**	-0.2%
Total Equity		**20,207,084**		16,623,395	3,583,689	21.6%	**64.0%**	65.3%
Total Liabilities and Equity	**P**	**31,553,848**	P	25,462,442	6,091,406	23.9%	**100.0%**	100.0%

ASSETS
Total assets of the Company increased by ₱6,091.4 million (24%), to ₱31,553.8 million as of December 31, 2013, from ₱25,462.4 million as of December 31, 2012.

Cash and cash equivalents
Cash and cash equivalents decreased by ₱249.3 million (18%), to ₱1,170.4 million in 2013 from ₱ 1,419.7 million in 2012, mainly due to the following: (i) expenditures for the construction of City of Dreams Manila amounting ₱ 2,214.9 million; (ii) loan principal repayments of ₱ 3,668.5 million; and (iii) payments to ABLGI amounting to ₱ 283.5 million. The decreases in the cash and cash equivalents were offset by the following cash receipts: (i) ₱ 4,000.0 million ABLGI Advance (recorded under Nontrade Liability) and (ii) termination of the escrow fund amounting to ₱ 2,064.5 million.

Finance Lease Receivables
Due to the requirements under PAS 17, management has accounted for its lease agreement with Melco Crown for the City of Dreams Manila building as a finance lease even though there is neither a stipulation nor any intention to transfer title therefor to Melco Crown. The Company thus recorded a finance lease receivable equivalent to the fair value of the leased property, amounting to ₱9,375.0 million (fair valuation was determined by discounting the minimum lease payments at the inception date of the lease agreement).

Receivables
Receivables decreased by ₱142.2 million (11%), to ₱1,210.8 million as of December 31, 2013 from ₱1,353.0 million as of December 31, 2012. The decrease was mainly due to net liquidations of receivables on real estate sold.

Real estate for sale and Club shares
Real estate for sale increased by ₱690.9 million (24%), to ₱3,592.3 million as of December 31, 2013 from ₱2,901.3 million as of December 31, 2012, due mainly to the transfer of Tagaytay land from The Country Club at Tagaytay Highlands, Inc. (TCCATH) and Tagaytay Highlands International Golf Club, Inc. (THIGCI) in the aggregate value of ₱529.7 million as payment for long-outstanding advances.

Club shares held by the Company, valued at the lower of historical cost or market, decreased by ₱2.4 million (0.1%), to ₱2,810.2 million as of December 31, 2013 from ₱2,812.6 million as of December 31, 2012 due to sales thereof.

Investments in and advances to associates
Investments and advances decreased by ₱912.7 million (49%), to ₱970.3 million as of December 31, 2013 from ₱1,883.1 million as of December 31, 2012. In August 2013, Highlands Prime Inc. ("Highlands Prime") shares of common stock, amounting to ₱819.4 million, were swapped for SM Prime Holdings, Inc. ("SMPH") shares of common stock at an exchange rate ratio of 0.135. The Company thereby acquired 109 million shares of SMPH, in exchange for its 809 million shares of Highlands Prime. The investment in SMPH shares has been classified under "Available-for-sale financial assets".

Available-for-sale financial assets
Available-for-sale financial assets increased by ₱1,745.2 million (6,098%) to ₱1,773.8 million as of December 31, 2013 from ₱28.6 million as of December 31, 2012, due mainly to the swap of HPI shares of common stock to SMPH shares. The Company recorded an investment in SMPH shares amounting to ₱1,776.0 million as a result of the swap. The increase was partially offset by the decrease in the market value of SMPH shares amounting to ₱173.7 million, based on the closing price of SMPH of ₱14.66 per share as of the end of 2013.

Investment properties
Investment properties decreased by ₱2,626.1 million (47%), from ₱5,584.8 million as of December 31, 2012 to ₱2,958.7 million as of December 31, 2013, due to the derecognition of the construction costs on the City of Dreams Manila Project as a result of the finance lease accounting treatment of the lease contract with MCE, as required under PAS 17. However, it should be noted that Belle intends to retain legal ownership of the property, irrespective of the accounting treatment required under PAS 17.

Escrow Fund
The Company's US$57.5 million Escrow Deposit, maintained for its PAGCOR license, was terminated in May 2013, as MCE put up its own Escrow Deposit to replace it.

Advances to related parties
Advances to related parties decreased by ₱470.9 million (98%) to ₱11.6 million as of December 31, 2013 from ₱482.5 million as of December 31, 2012, due mainly to the transfer of land from TCCATH and THIGCI amounting to ₱97.5 million and ₱432.2 million, respectively, as payment for advances.

Other assets
Other assets increased by ₱337.9 million (45%) to ₱1,096.1 million as of December 31, 2013 from ₱758.3 million as of December 31, 2012, due mainly to an increase in advances to contractors in 2013 for the City of Dreams Manila project, amounting to ₱323.0 million and input VAT amounting to ₱115.6 million.

LIABILITIES
Total liabilities increased by ₱2,507.7 million (29%) to ₱11,346.8 million as of December 31, 2013, from ₱8,839.0 million as of December 31, 2012, due to an increase in accounts payable and other liabilities and the recognition of estimated liability on construction costs under PAS 17.

Loans payable and Long-term debt
Total debt amounting to ₱5,792.8 million as of December 31, 2013 is comprised of: Peso loans from various local financial institutions, with average interest at 4.25% per annum, amounting to ₱200.5 million; advances from ABLGI amounting to ₱4,000.0 million (recorded under "Nontrade Liability"); FRNs with a Peso equivalent amounting to ₱977.2 million; Peso long-term debt incurred for the City of Dreams Manila Project of ₱499.8 million; and Assignment of receivables with recourse amounting to ₱89.5 million . The FRNs have a principal amount of US$22 million due on May 10, 2014 and carry interest at a floating rate of 2% per annum above the six-month LIBOR rate.

Total debt decreased by ₱1,097.7 million (16%), from ₱6,800.9 million as of December 31, 2012 to ₱5,703.2 million as of December 31, 2013, due mainly to bank loan repayments totalling ₱3,668.5 million, which was offset by a loan from ABLGI amounting to ₱4,000.0 million in 2013.

Accounts payable and other liabilities
Accounts payable and other liabilities increased by ₱600.0 million (32%), to ₱2,469.9 million as of December 31, 2013 compared to ₱1,869.8 million as of December 31, 2012. Comprising accounts payable and other liabilities are principally trade payables of ₱1,185.8 million, advances from related parties of ₱77.6 million, accrued expenses of ₱562.9 million, non-trade payables of ₱640.3 million and customers' deposits of ₱25.9 million.

Estimated liability for constructions costs
The Company recorded an estimated liability for constructions costs for the Phase 1 of City of Dreams Manila in March 2013 amounting to ₱2,247.6 million as a result of the accounting of its lease agreement with MCE as a finance lease, as required under PAS 17. Phase 1 comprises approximately 17 hectares out of a total of 30 hectares of planned building gross floor area for City of Dreams Manila.

Deferred tax liabilities
Deferred tax liabilities increased by ₱668.6 million (398.1%) to ₱836.5 million as of December 31, 2013 from ₱167.9 million as of December 31, 2012. The increase was mainly due to the deferred tax of ₱697.3 million on the Day 1 Gain.

EQUITY

The Company's shareholders' equity as of December 31, 2013 of ₱20,207.1 million was higher by ₱3,583.7 million (21%), compared to the year-end 2012 level of ₱16,623.4 million, due mainly to the consolidated net income recorded in 2013. The Company thus attained consolidated retained earnings of ₱4,533.7 million as of December 31, 2013, compared to consolidated retained earnings of ₱893.8 million as of December 31, 2012. Of the Company's retained earnings at year-end 2013, approximately ₱417.7 million is estimated to be allowable for dividend declarations, inasmuch as accounting income arising from the Day 1 Gain, the Swap Gain and PAS 17 finance lease interest income are not considered eligible and/or appropriate for immediate dividend declarations.

Below are the comparative key performance indicators of the Company and its subsidiaries:

	The manner by which the Company calculates the performance indicators	**31 Dec 2013**	**31 Dec 2012**
Asset-to-equity ratio	Total assets Total Equity	**1.56 : 1:00**	1.53 : 1.00
Current or Liquidity Ratio	Current assets Current Liabilities	**1.71 :1.00**	1.85 : 1.00
Debt-to-equity ratio	Interest-bearing debt Equity	**0.29 : 1.00**	0.41 : 1.00
Net debt-to-equity ratio	Interest-bearing debt less cash and cash equivalents, HTM investments and escrow fund Equity	**0.19 : 1.00**	0.32 : 1.00
Interest rate coverage ratio	Earnings Before Interest and Taxes Interest Expense	**17.39 : 1.00**	6.57 : 1.00
Return on assets	Net income Average Total Assets during the period	**12.7%**	2.3%
Return on equity	Net income Average Equity during the period	**19.7**	3.4%

The Company does not foresee any cash flow or liquidity problems over the next twelve months. Of the ₱5,792.8 million in Company's loans payable as of December 31, 2013, ₱200.5 million are comprised of short-term bank borrowings that have historically been mostly renewed or rolled-over, with Belle paying only the interest. The balance of ₱4,000.0 million comprises of ABLGI Advance which the terms and repayment periods of the ABLGI advances will be determined upon the signing of the implementing agreement. As of December 31, 2013, the Company and ABLGI have not yet finalized its implementing agreement. Belle anticipates increases in its cash flow during 2014 arising from higher income from the lease agreement with MCE, and the opening of City of Dreams Manila, expected during the first quarter of 2014. Moreover, Belle also has a number of revenue-generating real estate projects in the pipeline to further enhance cash flow in the future. The Company continues to be in compliance with the terms of all of its debt obligations.

As of 31 December 2013, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

- Any Known Trends, Events or Uncertainties (Material Impact on Liquidity)Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;

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

- All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

- Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures.

  Under the License granted to PLAI, the parties in Consortium (PLAI, Belle and MCE) are committed to invest a minimum of US $1 billion ("Investment Commitment") into the Project. Under the PAGCOR Guidelines, of the US$1.0 billion, US$650.0 million shall be invested upon the opening of the integrated resort and the other US$350.0 million shall be invested within a period of three (3) years from the commencement of the integrated resort operations. The Investment Commitment shall be composed of the value of the land (a maxium of up to US$150 million) and the development costs of the infrastructures and facilities within the Project. The City of Dreams Manila integrated resort is expected to open in the 4th quarter of 2014. As agreed in the Cooperation Agreement between Belle, PLAI and MCE, the US$650 million minimum investment commitment upon opening will be shared 50-50 between Belle and MCE. As of December 31, 2013, Belle has a total investment of US$281.9 million of the US$325.0 million share in the investment commitment with PAGCOR. Belle funded, and will fund, its required capital expenditures from the cash proceeds raised from the September 2011 stock rights offering, internally-generated cash and loans.

- Any Known Trends, Events or Uncertainties (Material Impact on Sales)

- Any Significant Elements of Income or Loss (from continuing operations)

  Refer to Management Discussion and Analysis Operating Performance and Financial Condition.

2015 Plan of Operations

Since 1989, Belle has launched a total of nineteen (19) real estate projects, two (2) golf clubs and one (1) country club, with total gross land area of approximately six hundred (600) hectares in Tagaytay City and Batangas. Residential projects in Tagaytay City include Pinecrest Village, The Villas, The Belle View, and The Woodlands. Residential projects in Batangas comprise the Midlands and Greenlands development areas. Among the Midlands residential projects are Alta Mira, Lakeview Heights, and Lakeside Fairways; among the Greenlands residential projects are Plantation Hills, The Verandas at Saratoga Hills, The Parks at Saratoga Hills, Fairfield, and Nob Hill. Belle shall continue to strive for being the high-end real estate gem in Asia by its holistic approach of developing eco-friendly properties.

Lakeside Fairways was introduced by Belle in April 2007. This project consists of subdivision lots adjacent to twenty-seven (27) holes of the Tagaytay Midlands golf course in Talisay, Batangas. In August 2009, Belle launched Fairfield in Tanauan, Batangas. Fairfield, located adjacent to The Verandas, was 100% complete as of 31 December 2012. In April 2010, Nob Hill was launched, and was 94% complete as of 31 December 2014. As of 31 December 2012, the first four (4) Lakeside Fairways (Kew Gardens, Terrazas de Alava, Lakeside Enclave and Tivoli Place) averaged a completion rate of 99%. The fifth and sixth subdivisions inside Lakeside Fairways (Cotswold and Katsura, respectively) were both 99% complete as of 31 December 2014. The construction of the third nine (9) holes for the Tagaytay Midlands golf course also commenced during the first half of 2008. In April 2010, Belle launched Yume, a new Japanese-themed subdivision in the Lakeside Fairways development area, which was 99% complete as of 31 December 2014. In April 2011, Belle launched its newest subdivision within Lakeside Fairways, Sycamore Heights, with more than twenty-six (26) hectares in gross land area, comprising three hundred thirty six (336) residential lots averaging three hundred fifty two (352) sqm. per lot, which was 62% complete as of 31 December 2014.

As of 31 December 2014, construction on the first seven (7) phases of Lakeside Fairways and on the third nine (9) holes of the Tagaytay Midlands golf course were on-going, and are expected to attain 100% completion in 2015. Construction of its newest project, Sycamore Heights, shall be developed continuously towards a targeted project completion by 2015.

For the gaming side, construction of the Company's integrated resort at the entrance of PAGCOR's Entertainment City, was virtually complete as of 31 December 2014. The site of the integrated resort is on 6.2 hectares of prime land at the corner of Roxas Boulevard and Aseana Avenue in Parañaque City, and it is about one (1) kilometer away from the Mall of Asia complex. In response to PAGCOR's requirement to all gaming license holders of an Investment Commitment of US$1.0 billion, Belle launched a Stock Rights Offering ("SRO") in September 2011. Through the SRO, Belle was able to successfully raise a total of P4.5 billion despite the volatile market environment at the time. All proceeds from the SRO were used to finance the construction of the integrated resort.

On 25 October 2012, Belle and PLAI signed a Cooperation Agreement with MCE for the development and operation of the integrated resort. The Cooperation Agreement places Belle as the licensee and owner of the resort's land and buildings, while MCE will be the developer and operator of all facilities within the resort complex through its Philippine subsidiary, Melco Crown (Philippines) Resorts Corporation ("MCP"). MCE is the developer and owner of integrated resort facilities historically focused on the Macau market. Its highly successful "City of Dreams" integrated resort complex on Macau's Cotai Strip houses a gaming facility, a Crown hotel, a Grand Hyatt hotel, a Hard Rock hotel, and an upscale retail operation, along with a mix of bars and restaurants that draw large crowds from Hong Kong and China. MCE is building its second integrated resort in Macau, to be called "Studio City". On 9 October 2013, MCP announced the use of the name of MCE's flagship Macau resort to brand the integrated resort as "City of Dreams Manila", and later announced Crown Towers, Hyatt and Nobu as the hotel brands to be used for the resort's more than 900 hotel rooms. City of Dreams Manila has approximately 30 hectares of gross floor area, and will house more than two (2) hectares of gaming space, more than two (2) hectares of retail and restaurant facilities, more than nine hundred (900) high-quality hotel rooms and various entertainment facilities. It is currently allowed to operate approximately three hundred sixty-five (365) gaming tables, one thousand six hundred and eighty (1,680) slot machines and one thousand six hundred and eighty (1,680) electronic table games upon opening. MCE estimated spending approximately

US$800 million in development costs up to the time of opening. The soft opening of City of Dreams Manila took place on December 14, 2014 and the Grand Launch took place on February 2, 2015. Belle and MCE have already satisfied the full US$1 billion Investment Commitment, and have fulfilled all other PAGCOR Guidelines.

Existing investments will continue to be managed at Belle's listed gaming subsidiaries, PLC and Pacific Online. PLC, which is 78.7%-owned by Belle as of December 31, 2014, owns 100% of the capital stock of PLAI, which PLC acquired from Belle during the third quarter of 2014. PLAI is a co-licensee with Belle and MCP under the PAGCOR license for City of Dreams Manila, and is entitled to a share of gaming earnings therefrom through an Operating Agreement with MCE. Pacific Online, in which the combined ownership of Belle and PLC total 50.1% of issued shares as of 31 December 2014, leases online equipment to the Philippine Charity Sweepstakes Office for its lottery operations.

ANNEX TO MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) SECTION

Events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of obligation

None. The Company does not foresee any events that may trigger material financial obligation to the Company, including default or acceleration of an obligation.

All material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period

None. There were no material off-balance sheet transactions, arrangement, obligations, and other relationships of the Company with unconsolidated entities or other persons that the Company is aware of during the reporting period.

Item 7. Financial Statements

Please see attached consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules.

Item 8. Changes in and Disagreement with Accountants on Accounting and Financial Disclosure

No principal accountant or independent accountants of the registrant has resigned, was dismissed or has ceased to perform services during the two (2) most recent fiscal years or any subsequent interim period.

There have been no disagreements with any accountant or any matter of accounting principles or practices, financial statement disclosure or auditing scope of procedure.

Independent Public Accountants, External Audit Fees and Services

SyCip Gorres Velayo & Co. ("SGV"), the Company's external auditors for the current year. The same external auditor will be recommended for re-appointment at the scheduled stockholder's meeting. Representatives of SGV are expected to be present at the Annual Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire.

Over the past five (5) years, there was no event where SGV and the Company had any disagreement with regard to any matter relating to accounting principles or practices, disclosure of financial statements or auditing scope or procedure.

In Compliance with the SEC Memorandum Circular No. 8 Series of 2003, Mr. Juanito A. Fullecido was assigned in 2007 as SGV's engagement partner for the Company, his assignment has ended after 2008-2009 audit engagement. SGV appointed Mr. Roel E. Lucas as the engagement partner for the Company from 2010-2011. In 2013 and 2012, SGV appointed Ms. Clairma T. Mangangey as the engagement partner for the Company. In 2014, SGV appointed Ms. Marydith C. Miguel as the engagement partner for the Company.

Belle paid SGV audit fees of P1.0 million for external financial audit services for 2014, and P1.0 million for 2013.

For each of the last 2 fiscal years, SGV did not render services for tax accounting, planning, compliance, advice, or any other professional services for which it billed the Company the corresponding professional fees.

The Audit Committee recommends to the Board of Directors the appointment of the external auditors. The Board of Directors and the stockholders approve the Audit Committee's recommendation. The Executive Committee approves the audit fees as recommended by the Management Committee.

PART III CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

(1) Directors and Executive Officers

The names and ages of all the incumbent Directors, elected on April 27, 2014 during the Annual Stockholders' Meeting and are to serve for a term of one (1) year until their successors shall have been duly elected and qualified, and the Executive Officers are:

Directors:

	Name	Citizenship	Age as of 12.31.2014	Position
1	Benito Tan Guat	Filipino	84	Chairman
2	Willy N. Ocier	Filipino	58	Vice Chairman
3	Elizabeth Anne C. Uychaco	Filipino	59	Vice Chairman
4	Frederic C. DyBuncio	Filipino	55	Director / President
5	Emilio De Quiros Jr.	Filipino	66	Director
6	Gregorio Kilayko	Filipino	59	Director (Independent)
7	Jacinto C. Ng, Jr.	Filipino	45	Director
8	Jose T. Sio	Filipino	75	Director
9	Washington Z. Sycip	American	93	Director (Independent)
10	Virginia A. Yap	Filipino	63	Director
11	Cesar E.A. Virata	Filipino	84	Director (Independent)

Executive Officers:

	Name	Citizenship	Age as of 12.31.2014	Position
1	Frederic C. DyBuncio	Filipino	55	President and CEO
2	Manuel A. Gana	Filipino	57	EVP and CFO
3	Armin Raquel A. Santos	Filipino	47	EVP – Integrated Resorts
4	Jason Ian Aguirre*	Filipino	41	SVP – Chief Operating Officer
5	Rudy Aninipot	Filipino	58	VP Property Management
6	Michelle T. Hernandez	Filipino	43	VP – Sales Administration**
7	Nancy O. Hui	Filipino	56	VP and EA to the Chairman
8	Rogelio Robang	Filipino	54	VP Project Management & External Affairs
9	Zenia K. Sy	Filipino	53	VP Sales
10	A. Bayani K. Tan	Filipino	59	Corporate Secretary
11	Arthur Sy	Filipino	45	Asst. Corporate Secretary

Effective March 6, 2015.
***Re-assigned as Vice President for Governance and Corporate Affairs as of March 1, 2015.*

BOARD OF DIRECTORS

The information on the business affiliations and experiences of the following directors and officers are current and/or within the past five years.

Benito Tan Guat

Mr. Tan Guat is the Chairman of the Company. Currently, he is the Chairman and President of Eastern Securities Development Corporation, and the President of Guatson International Travel and Tours.

Willy N. Ocier

Mr. Ocier is one of the Co-Vice Chairman of Belle Corporation. He has been the Vice Chairman of the Company's Board of Directors since June 1999. He is also the Vice Chairman of Highlands Prime, Inc. and Tagaytay Highlands International Golf Club, Inc. He is the Chairman, Chief Executive Officer and President of Philippine Global Communications, Inc. and likewise the Chairman and President of Pacific Online Systems Corporation. He is the Chairman of the Board and Director of APC Group, Inc., Premium Leisure Corp., and Premium Leisure and Amusement, Inc. He is also the Chairman of Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc. and The Spa and Lodge Inc. He sits as Director of Leisure and Resorts World Corporation, IVantage Equities, and Toyota Corporation Batangas. He was the former President and Chief Operating Officer of Eastern Securities Development Corporation. He graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics.

Elizabeth Anne C. Uychaco

Ms. Uychaco is the Vice Chairman and Board Director of Belle Corporation. She is also Senior Vice President of SM Investments Corp., Board director of Megawide Construction Corporation, Republic Glass Holdings Corp., and Generali Pilipinas Holding Company, Inc. She was formerly Senior Vice President and Chief Marketing Officer of Philippine American Life and General Insurance Company and Board Director of Philam Call Center. Prior to that, she was Vice President of Globe Telecom, Inc., Kuok Philippine Properties, Inc. and Transnational Diversified Corp. Ms. Uychaco graduated from St. Scholastica's College in 1978 with a Bachelor of Arts Degree. She obtained a Master's Degree in Business Economics from the University of Asia and Pacific in 1988 and a Master's Degree in Business Administration from the Ateneo Business School in 1992.

Frederic C. DyBuncio

Mr. DyBuncio is the President, Chief Executive Officer and Director of Belle Corporation and its subsidiaries, APC Group, Inc., and Premium Leisure Corp. Concurrently, he is the Senior Vice President of Investments Portfolio of SM Investments Corporation. He is a Director of Atlas Consolidated Mining and Development Corporation, Tagaytay Highlands International Golf Club, Inc., and Pacific Online Systems Corporation. Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's degree in Business Administration program at Asian Institute of Management.

Emilio De Quiros, Jr.

Mr. De Quiros serves as a Director of the Company since September 21, 2010. He is currently the President and Chief Executive Officer of the Social Security System. He is also a Director of UnionBank of the Philippines and Philhealth Insurance Corporation. He served as Executive Vice President of Bank of the Philippine Islands and President of Ayala Life Insurance Inc., Ayala Plans Inc. and BPI Bancassurance, Inc. He was also a director of ALFM Peso Mutual Fund, Inc., ALFM Dollar Mutual Fund, Inc.,ALFM Euro Mutual Fund, Inc., ALFM Growth and Philippine Stock Index Fund. Mr. De Quiros graduated from Ateneo de Naga with a Bachelor of Arts in Economics degree (Cum Laude), and is a holder of the Master of Arts in Economics from University of the Philippines.

Gregorio U. Kilayko*

Mr. Kilayko is an Independent Director of the Company. He was founding head of ING Barings' stockbrokerage and investment banking business in the Philippines, and a Philippine Stock Exchange Governor in 1996 and 2000. Mr. Kilayko holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania.

Jacinto C. Ng, Jr.

Mr. Ng is a Director of the Company and concurrently a Director and Treasurer of Republic Biscuit Corporation and the Chief Executive Officer of Elanvital Enclaves, Inc. Mr. Ng is also a Director of the following companies: Asia United Insurance Corporation, Highlands Prime, Inc., Manila Bay Development Corporation, Quantuvis Resources Corporation and Palm Concepcion Power Corporation.

Jose T. Sio

Mr. Jose T. Sio is a Certified Public Accountant and obtained his Master's degree in Business Administration (MBA) from New York University, USA. Mr. Sio is a Director, Executive Vice President and Chief Finance Officer of SM Investments Corporation. He is also a member of the Board of Directors of the following companies listed in the Philippine Stock Exchange (PSE): (i) China Banking Corporation; (ii) Atlas Consolidated Mining and Development Corporation; and Adviser to the Board of Directors of BDO Unibank, Inc. and Premium Leisure Corporation. He is a member of the Audit and Risk Committee of SM Prime Holdings, Inc.

Mr. Sio also serves as Director of the following companies not listed in the PSE: (i) OCLP (Ortigas) Holdings, Inc.; (ii) SM Keppel Land, Inc.; (iii) Carmen Copper Corporation; (iv) First Asia Realty Development Corporation; (v) Manila North Tollways Corporation; and (vi) Asia Pacific College. He is the President of SM Foundation, Inc. and GlobalFund Holdings, Inc.

Mr. Sio was a Senior Partner of Sycip Gorres Velayo & Co. (SGV) from 1977 to 1990. He was voted as CFO of the Year in 2009 by the Financial Executives of the Philippines (FINEX). He was also awarded as Best CFO (Philippines) in various years by Hong Kong-based business publications such as Alpha Southeast Asia, Corporate Governance Asia, Finance Asia and The Asset.

Washington Z. SyCip*

Mr. SyCip is an Independent Director of the Company. He is the founder of The SGV & Co., an auditing and management consulting group with operations throughout East Asia. He is the Chairman Emeritus of the Board of Trustees and Board of Governors of the Asian Institute of Management; a Member of the Board of Overseers of Columbia University Graduate School of Business, New York; the Honorary Chairman of Euro-Asia Centre, INSEAD, Fontainbleau, France since 1989; a Member of the International Advisory Board, Council on Foreign Relations, New York; and an Honorary Life Trustee of the Asia Society, New York. Mr. Sycip is a Director of a number of major corporations in the Philippines and other parts of the world.

Cesar E. A. Virata*

Mr. Virata is an Independent Director of the Company. He is the President and Principal Consultant of C. Virata & Associates, Inc. Management Consultants. He is currently the Vice Chairman of Rizal Commercial Banking Corporation (RCBC); and Director of RCBC subsidiaries and some affiliates. He is also an Independent Director of Lopez Holdings Corporation, City & Land Developers, Inc. and Business World Publishing Corporation. Mr. Virata was formerly the Minister of Finance and Prime Minister of the Philippines.

Virginia A. Yap

Ms. Yap is a Director of the Company. She is also a member of the Company's Executive and Nomination Committees. Ms. Yap holds key positions in the SM Group of Companies including being Treasurer of SM Development Corporation, and Vice President – Office of the Chairman of the Board of Directors of SM Investments Corporation, SM Land, Inc. (formerly Shoemart, Inc.) and SM Retail Inc. She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao. She has been connected with the SM Group of Companies for the last twenty seven years.

The nomination, pre-screening and election of independent directors were made in compliance with the requirements of the Code of Corporate Governance and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors, which have been adopted and made part of the Corporation's By-Laws.

The Nomination Committee, composed of Messrs. Washington Z. SyCip (Chairman), Willy N. Ocier, Jose T. Sio, and Ms. Virginia A. Yap, determine that the nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Company's Manual on Corporate Governance and Rule 38 of the Implementing Rules of the Securities Regulation Code (SRC).

***** *Independent Director – the Company has complied with the Guidelines set forth by SRC (Securities Regulation Code) Rule 38 regarding the Nomination and Election of Independent Director. The Company's By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule.*

EXECUTIVE OFFICERS

Frederic C. DyBuncio

Mr. DyBuncio is the President, Chief Executive Officer and Director of Belle Corporation and its subsidiaries, APC Group, Inc., and Premium Leisure Corp. Concurrently, he is the Senior Vice President of Investments Portfolio of SM Investments Corporation. He is a Director of Atlas Consolidated Mining and Development Corporation, Tagaytay Highlands International Golf Club, Inc., and Pacific Online Systems Corporation. Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's degree in Business Administration program at Asian Institute of Management.

Armin B. Raquel-Santos

Mr. Raquel-Santos, 47, is concurrently Executive Vice President – Integrated Resorts of Belle Corporation; Executive Vice President and Chief Operating Officer of Premium Leisure and Amusement, Inc.; Director of Tagaytay Highlands International Golf Club, Inc., and Trustee , Melco Crown Philippines Foundation Corporation. A former CFO of Aboitizland, he also served in various government positions including as Governor of the Board of Investments, Vice Chairman and CEO of the Philippine Retirement Authority, Executive Vice President of the Philippine International Trading Corporation, Deputy Administrator of Subic Bay Metropolitan Authority and Assistant Secretary for the Department of Trade and Industry. Mr. Raquel-Santos holds a Bachelor of Science degree in Business Administration major in Finance from Iona College (USA) and a Master of Arts degree in Liberal Studies from Dartmouth College (USA).

Manuel A. Gana

Mr. Gana is the Executive Vice President and Chief Financial Officer of the Company. He joined Belle in 1997 as Vice President for Corporate Development and Special Projects, during which time he was also assigned as the Vice President-Finance and Chief Financial Officer for MagiNet Corporation, which was then a subsidiary of Sinophil Corporation (now called Premium Leisure Corporation), a subsidiary of Belle. He is a Director of Tagaytay Highlands International Golf Club, Inc. and Woodland Development

Corporation. Previously, he was Director of Investment Banking at Nesbitt Burns Securities Inc. in New York. He also previously worked for Bank of Montreal and Merrill Lynch Capital Markets (both in New York), and for Procter & Gamble Philippine Manufacturing Corporation. Mr. Gana holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania, and degrees in Accounting and Economics from De La Salle University. He is a Certified Public Accountant.

Jason Ian R. Aguirre

Mr. Aguirre was appointed as the Chief Operating Officer of the Company effective March 6, 2015. Mr. Aguirre is concurrently a Vice President of SM Investments Corporation ("SMIC"). He has worked in various management positions over a 16-year career that included local and international experience in strategic planning, operations and business development. His last stint prior to joining SMIC was as a Director for CEMEX Asia Pte. Ltd.. Mr. Aguirre holds a Bachelor of Science degree in Industrial Engineering from the University of the Philippines and a Master's degree in Business Management from the Asian Institute of Management.

Rudy P. Aninipot

Mr. Aninipot is the Vice President for Property Management and responsible for the efficient and effective operation and maintenance of buildings, infrastructures and facilities in Tagaytay Highlands, Tagaytay Midlands and The Greenlands. He joined Belle in 1995 as Assistant Vice President for Engineering. Prior to joining Belle, Mr. Aninipot held key positions in Shangri-La's EDSA Plaza Hotel, Mandarin Oriental and San Miguel Corporation. He also had previous work experience in the Middle East (Saudi Arabia and Yemen). A professional electrical engineer, Mr. Aninipot holds a degree in Electrical Engineering from the Mapua Institute of Technology.

Michelle T. Hernandez

Michelle Angeli T. Hernandez was re-assigned as the Vice President for Governance and Corporate Affairs as of March 1, 2015. She is mainly responsible for developing, implementing and managing various strategies, processes and policies related to Corporate Governance, Enterprise Risk Management and Corporate Affairs for the Company and its subsidiaries.

Prior to her re-assignment, she was the Vice President for Sales Administration responsible for overseeing the account administration of the Company's property and membership share buyers. She has a bachelor's degree in Tourism (cum laude) from the University of Sto. Tomas. Before joining the Company, she worked in Thomas Cook Philippines, Inc., a member of Metrobank's Group of Companies.

Nancy O. Hui

Ms. Hui is the Executive Assistant to the Chairman and concurrently in-charge of the Logistics and Purchasing Division of the Company. Before joining the Company, Ms. Hui was the Managing Director of Guatson International Travel and Tours. An advocate for environmental concerns, Ms. Hui has a bachelor's degree in Biology and a degree in veterinary medicine from the University of the Philippines.

Rogelio I. Robang

Mr. Robang is the Vice President for Construction Management and External Affairs. A BS Geodetic Engineering graduate, with studies in Civil Engineering, from the University of the Philippines, he joined the Company as the Assistant Project Director for the Tagaytay Highlands Golf Club project and also supervised the construction of the Tagaytay Midlands project. He also served as Technical Assistant to the President, and, subsequently, to the Vice Chairman. Prior to joining Belle, Mr. Robang was the Manager for Mining Tenements at Surigao Consolidated Mining Company. Mr. Robang, a board topnotcher, also holds a Master in Business Administration degree from De La Salle University.

Zenia K. Sy

Ms. Zenia has 25 years of extensive experience in real estate specifically in Sales and Marketing in an executive position. A Certified Public Accountant from the University of Santo Tomas and a Licensed Real Estate Broker, she is responsible for the sales performance of the leisure properties in Tagaytay Highlands and organization of the Sales Divisions. She is well exposed to global business having spent five years in her capacity as Head of the International Sales with Federal Land, Inc. in addition to her regular functions overseeing the sales operations in Italy, Spain, France, UK, US, Guam, Canada, Japan, Singapore and the Middle East. She once held the position of President and a member of the board of the various Condominium Corporation of the company she worked for.

A. Bayani K. Tan

Mr. Tan has been the Corporate Secretary of the Corporation since May 1994. He is also currently a Director, Corporate Secretary or both of the following reporting and/or listed companies: Asia United Bank Corporation (February 2014 as Corporate Secretary* and June 2014 as Director*), Coal Asia Holdings, Inc. (July 2012-present), Destiny Financial Plans, Inc. (2003-present), Discovery World Corporation (March 2013 as Director, July 2003-present as Corporate Secretary), First Abacus Financial Holdings Corp.(May 1994-present), I-Remit, Inc. (May 2007-present), Pacific Online Systems Corporation (May 2007-present), Philequity Balanced Fund, Inc. (March 2010-present), Philequity Dividend Yield Fund, Inc. (January 2013-present), Philequity Dollar Income Fund, Inc. (March 1999-present), Philequity Foreign Currency Fixed Income Fund, Inc. (March 2010-present), Philequity Fund, Inc. (June 1997-present), Philequity Peso Bond Fund, Inc. (June 2000-present), Philequity PSE Index Fund, Inc. (February 1999-present), Philequity Resources Fund, Inc. (March 2010-present), Philequity Strategic Growth Fund, Inc. (April 2008-present), Premium Leisure Corp. (December 1993-present), Tagaytay Highlands International Golf Club, Inc. (November 1993-present), Tagaytay Midlands Golf Club, Inc. (June 1997-present), The Country Club at Tagaytay Highlands, Inc. (August 1995-present), The Spa and Lodge at Tagaytay Highlands, Inc. (December 1999-present), TKC Steel Corporation (February 2007-present), Vantage Equities, Inc. (January 1993-present) and Yehey! Corporation (June 2004-present). Mr. Tan is also the Corporate Secretary of Sterling Bank of Asia Inc. since December 2006. Mr. Tan is the Managing Partner of the law offices of Tan Venturanza Valdez (1988 to present), Managing Director/President of Shamrock Development Corporation (May 1988-present), Director of Destiny LendFund, Inc. (December 2005-present) and Pascual Laboratories, Inc. (March 2014), President of Catarman Chamber Elementary School Foundation, Inc. (August 2012-present), Managing Trustee of SCTan Foundation, Inc. (1986-present), Trustee and Treasurer of Rebisco Foundation, Inc. (April 2013-present) and Trustee and Corporate Secretary of St. Scholastica's Hospital, Inc. (February 2011-present). He is currently the legal counsel of Xavier School, Inc.

Mr. Tan holds a Master of Laws degree from New York University (Class of 1988) and earned his Bachelor of Laws degree from the University of the Philippines (Class of 1980) where he was a member of the Order of the Purple Feather (U.P. College of Law Honor Society) and ranked ninth in his class. Mr. Tan passed the bar examinations in 1981 where he placed sixth. He has a Bachelor of Arts major in Political Science degree from the San Beda College (Class of 1976) from where he graduated Class Valedictorian and was awarded the medal for Academic Excellence.

Arthur A. Sy

Arthur A. Sy is the Assistant Corporate Secretary of the Company. He is also the Vice President, Corporate Legal Affairs of SM Investments Corporation. He is the Corporate Secretary of various corporations within the SM Group of Companies. He is also the Corporate Secretary of the National University. He holds a Juris Doctor degree from Ateneo de Manila University and is a member of the New York Bar. He has been with the SM Group for the last 17 years.

** As approved by Bangko Sentral ng Pilipinas on December 29, 2014*

(2) Significant Employees

There are no other significant employees.

(3) Family Relationships

Mr. Benito Tan Guat, Chairman, Mr. Willy N. Ocier, Vice Chairman, and Ms. Nancy O. Hui are related to the first degree of consanguinity.

(4) Involvement in Certain Legal Proceedings

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc., some of its members initiated a Complaint for Estafa (I.S. No. 08K-89713) against ULC, the Universal Rightfield Property Holdings, Inc. and the Universal Leisure Corp., as well as their respective officers and directors, including their former Corporate Secretary, Atty. A. Bayani K. Tan, an incumbent Director and the Corporate Secretary of the Corporation. The Complaint was submitted for resolution in 2009 and was acted upon and dismissed by the City Prosecutor of Manila (OCP) only on March 18, 2013. Complainants belatedly filed motion for reconsideration for which reason, among others, the OCP denied motion on June 16, 2014. A Petition for Review dated March 31, 2014 was filed by the Complainant before the Department of Justice (DOJ). On August 7, 2014, Atty. Tan filed his Comment to the said Petition.

Except as provided above, the Company is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years:

(a) any bankruptcy petition filed by or against any business of which any of the above persons was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities or banking activities; and,

(c) any finding by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic of foreign exchange or electronic marketplace or self-regulatory organization, that any of the above persons has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Item 10. Executive Compensation

Summary Compensation Table (Annual Compensation)

Name and Principal Position	Year	Salary	Benefits	Other Annual Compensation
Willy N. Ocier Vice Chairman				
Frederic C. DyBuncio President & Chief Executive Officer				
Armin B. Raquel-Santos Executive Vice President – Integrated Resorts				
Manuel A. Gana Executive Vice President and Chief Financial Officer				
Jason Ian R. Aguirre* Senior Vice President and Chief Operating Officer				
Rudy P. Aninipot Vice President for Property Management				
Zenia K. Sy Vice President - Sales				
Michelle T. Hernandez Vice President for Sales Administration**				
Nancy O. Hui Vice President and Executive Assistant to The Chairman				
Rogelio I. Robang Vice President for Project Management and External Affairs				

** Effective March 6, 2015.*
** Re-assigned as Vice President for Governance and Corporate Affairs as of March 1, 2015*

Name	Position	Year	Salary	Bonus	Other Annual Compensation
Frederic C. DyBuncio	CEO and President				
Armin B. Raquel-Santos	EVP - Integrated Resorts				
Manuel A. Gana	EVP and CFO				
Rudy A. Aninipot	VP Property Management				
Rogelio I. Robang	VP - Proj. Mgt & External Affairs				
President and 4 Most Highly Compensated Executive Officers		2015(Estimate)	28,276,772	2,179,360	-
		2014	26,676,200	2,056,000	-
		2013	20,588,400	1,764,720	-
All other officers and		2015(Estimate)	22,094,640	1,841,220	-
Directors as a group		2014	20,844,000	1,737,000	-
unnamed		2013	10,663,993	1,332,999	-

Compensation of Directors

All independent directors get a per diem of P50,000 each while other directors get a per diem of P10,000 each per meeting.

As of December 31, 2014, there were no outstanding warrants or options held by any of the Company's directors and officers.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There was no compensatory plan or arrangement with respect to named executive officers that resulted or will result from the resignation, retirement or termination of such executive officer or from a change-in-control in the Company.

Warrants and Options Outstanding

There were no outstanding warrants held by directors and officers as of December 31, 2014.

Options

There are no option grants outstanding held by directors and officers as of December 31, 2014.

Pursuant to Section 5.2 of the Amended Stock Option Plan, the number of shares granted under the Plan shall be correspondingly adjusted in the event of any merger, consolidation, reorganization, recapitalization, reclassification of stock, stock dividends, splits, rights, or any other change in the corporate structure or capitalization of the Company's common stock as presently constituted.

The Company will not be taking any action as regards its existing Stock Option Plan.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

The following persons or group are known to the Company as directly or indirectly the record or beneficial owners of more than five percent (5%) of the Company's voting securities as of 31 December 2014:

Title of Class	Name and Address of Record Owner and Relationship with issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Belleshares Holdings, Inc.		Filipino	2,604,740,622	24.668
Common	PCD Nominee Corporation(2) G/F Makati Stock Exchange 6767 Ayala Avenue, Makati City	*(see footnote 1)*	Others	2,141,552,537	20.281
Common	PCD Nominee Corporation(2) G/F Makati Stock Exchange 6767 Ayala Avenue, Makati City	*(see footnote 1)*	Filipino	1,930,075,870	18.278
Common	Sysmart Corporation(3) MakatiStockExchangeBuilding Ayala Avenue, Makati City	Sysmart Corporation *(see footnote 3)*	Filipino	1,629,353,802	15.430
Common	SM Development Corporation(3) Makati Stock Exchange Building Ayala Avenue, Makati City	SM Development Corporation *(see footnote 3)*	Filipino	695,068,560	6.582
Common	Sybase Equity Investments Corporation Makati Stock Exchange Building Ayala Avenue, Makati City		Filipino	531,320,577	5.032

(1) PCD Nominee Corporation ("PCDNC") is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares; instead the participants have the power to decide how the PCD shares in Belle are to be voted. The participants of PCD who own more than 5% of the Company's outstanding capital are as follows:
    i. The Hong Kong Shanghai Banking Corporation Limited – Clients' Account – 7.35%

(2) Mr. Henry Sy, Sr. is the single largest shareholder of Sysmart Corporation and SM Development Corporation.

The shares held by Sysmart Corporation, SM Development Corporation, Hong Kong Shanghai Banking Corp.-Client's Account, and the Social Security System shall be voted or disposed by the persons who shall be duly authorized by these record or beneficial shareholders for the purpose. The natural person/s that has/have the power to vote on the shares of the foregoing companies shall be determined upon the submission of its proxy form to the Company, which is not later than 4 days before the date of the meeting.

Apart from the foregoing, there are no other persons holding more than 5% of the Company's outstanding capital stock.

(2) Security Ownership of Management

The following table shows the shares beneficially owned by the directors and executive officers of the Company as of 31 December 2014:

Title of Class	Name and Citizenship	Amount and nature of beneficial ownership		Percent of Class
Common	Benito Tan Guat (Filipino)	10,020,000	Direct	0.095
Common	Willy N. Ocier (Filipino)	10,746,372	Direct	0.102
Common	Virginia A. Yap (Filipino)	10,000	Direct	0.000
Common	Washington Z. SyCip (American)	2,728,334	Direct	0.026
Common	Gregorio U.Kilayko (Filipino)	1	Direct	0.000
Common	Cesar E. A. Virata (Filipino)	1	Direct	0.000
Common	Emilio De Quiros, Jr. (Filipino)	1	Direct	0.000
Common	Jacinto C. Ng, Jr. (Filipino)	135,860,666	Direct	1.287
Common	Jose T. Sio (Filipino)	1,000	Direct	0.000
Common	Elizabeth Anne C. Uychaco (Filipino)	1,000	Direct	0.000
Common	Frederic C. DyBuncio (Filipino)*	100	Direct	0.000
Common	Manuel A. Gana (Filipino)	0	Direct	0.000
Common	Nancy O. Hui (Filipino)	1,500,000	Direct	0.014
Common	Rudy P. Aninipot (Filipino)	0	Direct	0.000
Common	Rogelio I.Robang (Filipino)	20,000	Direct	0.000
Common	Michelle T. Hernandez (Filipino)	0	Direct	0.000
Common	Zenia K. Sy (Filipino)	0	Direct	0.000
Common	A. Bayani K. Tan (Filipino)	347,341	Direct	0.003
Common	Arthur A. Sy (Filipino)	0	Direct	0.0000
Common	All directors and executive officers as a group	161,234,816		1.5264

(3) Voting Trust Holders of 5% or More

There is no party holding any voting trust for 5% or more of Belle's voting securities.

(4) Changes in Control

There is no arrangement which may result in a change in control of Belle.

Item 12. Certain Relationship and Related Transactions

No director or executive officer or any member of their immediate family has, during the last two years, had a direct or indirect, material interest in a transaction or proposed transaction to which the Company was a party.

PART IV - CORPORATE GOVERNANCE

Belle remains focused on insuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders.

In compliance with the initiative of the Securities and Exchange Commission ("SEC") under Memorandum Circular No. 2, Series of 2002, Belle, on August 30, 2002, submitted its Corporate Governance Manual (the "Manual") to the SEC. Even prior to the submission of its Manual, the Company, during its Stockholders' Meeting on August 22, 2002, created various Board level committees. These committees were comprised of an Executive Committee, a Nomination Committee for selection and evaluation of qualifications of directors and officers, a Compensation and Remuneration Committee to look into an appropriate remuneration system, and an Audit Committee to review financial and accounting matters. A Compliance Officer was also appointed on that date. Members of various committees are expected to serve for a term of one (1) year. On January 1, 2003, the Company formally adopted the Manual. Appointment of members of various board committees for the period 2013–2014 was held on April 22, 2013 during the Company's stockholders meeting. The Company submits its Corporate Governance Self-Rating reports to the SEC and PSE as proof of its compliance with the leading practices and principles on good corporate governance.

The Board establishes the major goals, policies and objectives of the Company, as well as the means to monitor and evaluate the performance of Management. The Board also ensures that adequate internal control mechanisms are implemented and properly complied in all levels.

The Company is not aware of any non-compliance with its Manual of Corporate Governance, by any of its officers or employees.

Refer to Annex A for Corporate Governance Report

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

(A) Use of Form ACGR

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

(B) Preparation of Report

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

(C) Signature and Filing of the Report

A. Three (3) complete set of the report shall be filed with the Main Office of the Commission.

B. At least one complete copy of the report filed with the Commission shall be **manually** signed.

C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.

D. This report is required to be filed annually together with the company's annual report.

(D) Filing an Amendment

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2014**

2. Exact Name of Registrant as Specified in its Charter **BELLE CORPORATION**

3. **5th Floor Tower A, Two E-Com Center, Palm Coast Avenue**
   Mall of Asia Complex, CBP-1A, Pasay City, Metro Manila **1300**
   Address of Principal Office Postal Code

4. SEC Identification Number **52412**

5. (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number **000-156-011**

7. **(632) 662-8888**
   Issuer's Telephone number, including area code

8. **n.a.**
   Former name or former address, if changed from the last report

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	11

Actual number of Directors for the year	11

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Benito Tan Guat	**NED**		**A. Bayani K. Tan**	**6/24/1999**	**4/28/2014**	**Annual**	**16**
Willy N. Ocier	**ED**		**A. Bayani K. Tan**	**6/24/1999**	**4/28/2014**	**Annual**	**16**
Elizabeth Anne C. Uychaco	**NED**	**SM Group**	**A. Bayani K. Tan**	**12/23/2009**	**4/28/2014**	**Annual**	**5**
Frederic C. DyBuncio	**ED**	**SM Group**	**A. Bayani K. Tan**	**04/22/2013**	**4/28/2014**	**Annual**	**<2**
Emilio De Quiros, Jr.	**NED**		**A. Bayani K. Tan**	**10/28/2010**	**4/28/2014**	**Annual**	**4**
Gregorio U. Kilayko	**ID**		**Willy N. Ocier (not related)**	**2/5/2003**	**4/28/2014 (<2)**	**Annual**	**12**
Jacinto C. Ng, Jr.	**NED**		**A. Bayani K. Tan**	**8/7/2000**	**4/28/2014**	**Annual**	**14**
Jose T. Sio	**NED**	**SM Group**	**A. Bayani K. Tan**	**12/23/2009**	**4/28/2014**	**Annual**	**5**
Washington Z. SyCip	**ID**		**Jose T. Sio (not related)**	**5/20/1996**	**4/28/2014 (<2)**	**Annual**	**19**
Virginia A. Yap	**NED**	**SM Group**	**A. Bayani K. Tan**	**7/30/2010**	**4/28/2014**	**Annual**	**4**
Cesar E. A. Virata	**ID**		**Virginia A. Yap (not related)**	**5/20/1996**	**4/28/2014 (<2)**	**Annual**	**19**

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Board of Directors, management and staff of Belle Corporation commit themselves to an open governance process through which its shareholders may derive assurance that, in protecting and adding value to Belle's financial and human investment, the Company is being managed ethically, according to prudently determined risk perimeters, and striving to achieve local best practices. The Revised Manual on Corporate Governance institutionalizes the principles of good corporate governance in the entire company. The Company believes

[1] Reckoned from the election immediately following January 2, 2012.

that corporate governance is of utmost importance to the Company's shareholders, and will therefore undertake every effort possible to create awareness throughout the entire organization.

In addition, the Company's Code of Ethics serves as a guiding principle for the Company's directors, officers and employees in the performance of their duties and responsibilities and in their transactions with investors, creditors, customers, contractors, suppliers, regulators and the public. The Code reflects the Company's mission, vision and core values. The salient provisions of the Code pertain to compliance and integrity, relationship with business partners, employee welfare, shareholder rights and protection of company information.

Some of the important provisions of the Code are as follows:

- **All employees are required to immediately report to the management all suspected or actual fraudulent or dishonest acts.**
- **Solicitation or acceptance of gifts in any form from any business partner is prohibited, except for gifts of nominal value.**
- **Any conflict of interest must be promptly disclosed to the management.**
- **All employees are prohibited from disclosing vital business information, unless authorized by the company or required by law.**
- **Insider trading is prohibited.**

<u>Board of Directors</u>
Belle Corporation's commitment to the principles of good corporate governance emanate from the Board of Directors. In line with this commitment is the Board's primary responsibility to foster the long term success of the Company and secure its sustained competitiveness consistent with its fiduciary responsibility and in a manner that ensures the best interests of the Company, its shareholders and its stakeholders.

<u>Board Committees</u>
To help focus on specific corporate governance responsibilities, the Board created <u>four (4)</u> committees, namely the Compensation and Remuneration Committee, the Nomination Committee, the Audit <u>Committee</u> and <u>the Risk Management Committee</u>.

The Compensation and Remuneration Committee is tasked with the oversight of policies on salaries and benefits, as well as promotions and other forms of career advancement. The Committee also reviews existing human resource policies to ensure the continued growth and development of the Company's workforce.

The Nomination Committee evaluates all candidates nominated to the Board in accordance with the requirements set forth by the Company's Revised Manual on Corporate Governance. The Committee ensures that those nominated to the Board meet all the qualifications for directorship.

The Audit Committee directly interfaces with the internal and external auditors in the conduct of their duties and responsibilities. Its mandate includes the review of the Company's financial reports and subsequent recommendation to the Board for approval. The Committee also reviews the Company's internal control systems, its audit plans, auditing processes and related party transactions.

The <u>Risk Management</u> Committee reviews and assesses the effectiveness of the Company's risk management system in the mitigation of financial and non-financial risks.

<u>Rights of Stockholders</u>
The Company's Revised Manual on Corporate Governance expressly provides for the protection of its stockholders' rights and minority interests. The Board is committed to respect the following rights of the stockholders:

<u>Right to Nominate</u>

- **<u>Shareholders, whether majority or minority, shall have the right to nominate candidates for seats in</u>**

the Board of Directors who must have the qualifications and none of the disqualifications of Directors as stated in the Company's Revised Manual for Corporate Governance.

Voting Right

- Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code of the Philippines.
- Cumulative voting shall be used in the election of directors.
- A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

Power of Inspection

- The Company shall allow all stockholders to inspect books and records of the Company including minutes of Board meetings and stock registries in accordance with the Corporation Code, and during normal business hours.
- Annual reports, including financial statements, shall be provided to stockholders, without cost or restrictions.

Right to Information

- The Board shall ensure that all material information about the Company which could adversely affect its viability or the interests of the shareholders shall be publicly and timely disclosed through established procedures of the Philippine Stock Exchange (PSE) and Philippine Securities and Exchange Commission (SEC).
- Upon request, the Company shall provide the stockholders with periodic reports and information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers and the aggregate compensation of directors and officers.
- The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
- The minority shareholders shall have access to all information relating matters for which the management is accountable and to those relating to matters for which the management should include in such information. If not included the minority shareholders can propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes."

Right to Dividends

- Subject to the discretion of the Board, all stockholders shall have the right to receive dividends.
- The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except:
  a. When justified by definite corporate expansion projects or programs approved by the Board;
  b. When the Company is prohibited from declaring dividends under any loan agreement with any financial institution or creditor, whether local or foreign, without its consent, and such consent has not been secured;
  c. When it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probably contingencies.

Appraisal Right

- The stockholders shall have appraisal right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code, under any of the following circumstances:
  a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
  b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code.

c. **In case of merger or consolidation.**

Disclosure and Transparency

To ensure that stakeholders receive timely and accurate information on the Company and its business, the Company has formally adopted a policy of full and prompt disclosure of all material information. The Company fully complies with the reporting and disclosure requirements of all relevant laws as well as regulations issued by the SEC and the PSE. Annual reports, financial statements and other disclosures are readily available to the public. These reports may be viewed and downloaded from the PSE or the Company website. The Company website is regularly updated to ensure prompt disclosures.

(c) How often does the Board review and approve the vision and mission?

The Company reviews its vision, mission and core values at least every three (3) years.

The Board of Directors approved the Company's new vision, mission and core values in its meeting conducted last January 2013.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Willy N. Ocier	**Belle Bay Plaza Corporation**	**Non-Executive Director (Chairman)**
	Metropolitan Leisure & Tourism Corporation	**Executive Director (Chairman & President)**
	Parallax Resources, Inc.	**Non-Executive Director (Chairman)**
	SLW Development Corporation	**Non-Executive Director (Chairman)**
	PremiumLeisure and Amusement, Inc.	**Non-Executive Director (Chairman)**
	Highland Gardens Corporation	**Executive Director (Chairman & President)**
	Woodland Development Corporation	**Executive Director (President)**
	Belle Bay City Corporation	**Non-Executive Director (Chairman)**
	Pacific Online Systems Corporation	**Executive Director (Chairman & President)**
	Highlands Prime, Inc.	**Non-Executive Director (Vice-Chairman)**
	Premium Leisure Corp	**Executive Director (Chairman)**
	APC Group, Inc.	**Non-Executive Director (Chairman)**

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
	Sinophil Leisure and Resorts Corporation	Non-Executive Director (Chairman)
	Foundation Capital Resources, Inc.	Non-Executive Director (Chairman)
	Tagaytay Highlands International Golf Club, Inc.	Non-Executive Director (Vice-Chairman)
	The Country Club at Tagaytay Highlands	Non-Executive Director (Chairman)
	Tagaytay Midlands Golf Club, Inc.	Non-Executive Director (Chairman)
	The Spa and Lodge, Inc.	Non-Executive Director (Chairman)
	Philippine Global Communications	Executive Director (Chairman / President / CEO)
Elizabeth Anne C. Uychaco	Megawide Construction Corporation	Non-Executive Director
	Generali PIlipinas Holding Company, Inc.	Non-Executive Director
	Republic Glass Holdings, Corp.	Non-Executive Director
Gregorio U. Kilayko	Highlands Prime, Inc.	Independent Director
	SM Prime Holdings, Inc.	Independent Director
Jacinto C. Ng, Jr.	Highlands Prime, Inc.	Independent Director
	Tagaytay Midlands Golf Club, Inc.	Non-Executive Director
Jose T. Sio	SM Investments Corporation	Executive Director (EVP & CFO)
	China Banking Corporation	Non-Executive Director
	Atlas Consolidated Mining and Development Corporation	Non-Executive Director
Washington Z. SyCip	Highlands Prime, Inc.	Independent Director
Virginia A. Yap	Highlands Prime, Inc.	Non-Executive Director
	Sinophil Corporation	Non-Executive Director
	APC Group, Inc.	Non-Executive Director
Frederic C. DyBuncio	Pacific Online Systems Corporation	Non-Executive Director
	Premium Leisure Corp.	Non-Executive Director
	APC Group, Inc.	Executive Director (President & CEO)
	Sinophil Leisure and Resorts Corporation	Non-Executive Director
	Foundation Capital Resources, Inc.	Non-Executive Director
	Atlas Consolidated Mining and Development Corporation Tagaytay Highlands International Golf Club	Non-Executive Director (Vice-Chairman) Non-Executive Director

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Willy N. Ocier	**Leisure & Resorts World Corporation**	**Non-Executive Director**
	Vantage Equities, Inc. **Toyota Corporation Batangas**	**Non-Executive Director** **Non-Executive Director**
Emilio S. De Quiros, Jr.	**Union Bank of the Philippines** **Philhealth Insurance Corporation**	**Non-Executive Director** **Non-Executive Director**
Gregorio U. Kilayko	**Vantage Equities, Inc.**	**Independent Director**
Washington Z. SyCip	**Cityland Development Corporation**	**Non-Executive Director (Chairman)**
	Century Properties Group, Inc.	**Independent Director**
	First Philippine Holdings Corporation	**Independent Director**
	Lopez Holdings Corporation	**Independent Director**
	MacroAsia Corporation	**Non-Executive Director (Chairman)**
	Metro Pacific Investments Corporation	**Independent Director**
	Philippine National Bank	**Non-Executive Director**
	PHINMA Group	**Independent Director**
Jacinto C. Ng., Jr.	**Republic Biscuit Corporation**	**Non-Executive Director**
	Elanvital Enclaves	**Executive Director (CEO)**
	Asia United Insurance Corporation	**Non-Executive Director**
	Manila Bay Development	**Non-Executive Director**
	Quantuvis Resources Corporation	**Non-Executive Director**
	Palm Concepcion Power Corporation	**Non-Executive Director**
Cesar E.A. Virata	**Rizal Commercial Banking Corporation**	**Non-Executive Director (Vice-Chairman)**
	Malayan Colleges (operation under the name of Mapua Institute of Technology and listed thru iPeople, Inc.)	**Non-Executive Director**
	Bankard, Inc.	**Non-Executive Director (Chairman)**
	Lopez Holdings Corporation	**Independent Director**
	City & Land Developers, Inc.	**Independent Director**

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Elizabeth Anne C. Uychaco	**SM Investments Corporation**	**With common set of directors/officers**
Jose T. Sio		
Frederic C. DyBuncio		

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	**NO. The Company has not set a limit on the number of board seats in other companies that an individual director or CEO may hold simultaneously.**	
Non-Executive Director		
CEO		

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Benito Tan Guat	**10,020,000**	**–**	**0.0949%**
Willy N. Ocier	**10,746,372**	**–**	**0.1018%**
Elizabeth Anne C. Uychaco	**1,000**	**–**	**0.0000%**
Emilio S. De Quiros, Jr.	**1**	**–**	**0.0000%**
Gregorio U. Kilayko	**1**	**–**	**0.0000%**
Jacinto C. Ng, Jr.	**135,860,666**	**–**	**1.2866%**
Jose T. Sio	**1,000**	**–**	**0.0000%**
Washington Z. SyCip	**2,728,334**	**–**	**0.0258%**
Cesar E. A. Virata	**1**	**–**	**0.0000%**
Virginia Yap	**10,000**	**–**	**0.0001%**
Frederic C. DyBuncio	**100**	**–**	**0.0000%**
TOTAL	**159,367,475**	**–**	**1.5092%**

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes ☒ No ☐

Identify the Chair and CEO:

Chairman of the Board	**Benito Tan Guat**
CEO/President	**Frederic C. DyBuncio**

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

<table>
<tr><th></th><th>Chairman</th><th>Chief Executive Officer</th></tr>
<tr><td>Role</td><td rowspan="2">▪ Preside at all meetings of the Board of Directors and stockholders and ensure that all meetings are held in accordance with the By-Laws</td><td rowspan="2">▪ Supervise and control all of the business and affairs of the Company</td></tr>
<tr><td>Accountabilities</td></tr>
<tr><td>Deliverables</td><td>▪ Identify areas for improvement of the members of the Board, such as training/continuing education programs or any other form of assistance that the directors may need in the performance of their duties
▪ Evaluate and enhance the support services given to the Board, such as the quality and timeliness of information provided to them, the frequency and conduct of regular, special or committee meetings and their accessibility to management and the Corporate secretary</td><td>▪ Completion of Sycamore Heights Phases 1-3 by December 2015 and turn-over to lot buyers by Q1 of 2016
▪ 100% completion of Nob Hill and turn-over to lot buyers by 2015
▪ Grand launch of City of Dreams Manila by Q1 of 2015</td></tr>
</table>

3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

The Company's Amended By-Laws state that:

1) In the absence or disability of the President, the Executive Vice-President shall perform the duties and exercise the powers of the President.

2) In the absence or disability of both the President and Executive Vice-President, the Vice-President (or in the event that there be more than one Vice-President, the Vice-Presidents in the order designated at the time of the election) shall perform the duties and exercise the powers of the President.

Succession plan for top key management positions will be monitored and addressed by the Company's Nomination Committee as part of its committee programs to improve effective governance for the coming year. The Committee shall adhere to the "Fit and Proper Rule" standards to determine whether an individual is fit and proper to hold key management positions within the Company, which shall include, but not be limited to, standards on integrity, experience, education, training and competence.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

YES. Under the Company's Revised Manual on Corporate Governance, the Nomination Committee is tasked to ensure that the Board has an appropriate balance of required industry knowledge, expertise and skills needed to govern the Company towards achieving its intended goals and objectives.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

YES. All candidates nominated to become a member of the Board shall be assessed and evaluated by the Nomination Committee in accordance with the qualifications provided for in the Corporation Code, the Securities

Regulation Code, and other relevant laws. The Nomination Committee shall also consider the following factors, among others, in determining the fitness of a nominee to the Board:

a) **college education or equivalent academic degree;**
b) **practical understanding of the business of the Company;**
c) **membership in good standing in relevant industry, business, or professional organizations; and,**
d) **previous business experience.**

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role Accountabilities	▪ Oversee the management of the Company and be responsible for the Company's finances, goals and policies ▪ Foster the long-term success of the Company and sustain its competitiveness and profitability	▪ Monitor compliance with policies and achievement against objectives through regular reports to the Board by management ▪ Constructively challenge and contribute to the development of strategy	▪ Monitor compliance with policies and achievement against objectives through regular reports to the Board by management ▪ Constructively challenge and contribute to the development of strategy
Deliverables	▪ Periodically review the Company's vision, mission, strategies, plans, and annual budget and continuously monitor the implementation of such policies and strategies ▪ Institutionalize the risk management assessment process and continuously monitor key risk areas and performance indicators with due diligence ▪ Institute good corporate governance practices and ensure effective communication with all employees for acknowledgment and strict compliance ▪ Define policies and plans regarding corporate social responsibility (CSR), including formulating an action plan for publicizing and	▪ Ensure annual performance appraisal of individual directors, the board as a whole, board committees and the President, and periodically review the criteria used in assessing such performance ▪ Formulate succession plans for top key management positions and review such plan on a regular basis ▪ Identify areas for improvement of the members of the Board, such as training/continuing education programs or any other form of assistance that directors may need in the performance of their duties ▪ Meet at least once a year without the presence of executive directors and senior management	▪ Implement the action plans made based on the results of the self-assessment conducted following the guideline set forth by SEC Memorandum Circular No. 4 ▪ Review and assess the effectiveness of the Company's risk management system in the mitigation of financial and non-financial risks ▪ Review the Company's continual process of good corporate governance and update the Company's Manual on Corporate Governance ▪ Meet at least once a year without the presence of executive directors and senior management

	Executive	Non-Executive	Independent Director
	promoting awareness of CSR among all officers and employees		

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company defines independence as "independence from management, substantial shareholdings and material relations, whether it be business or otherwise, which could reasonably be perceived to impede the performance of independent judgment."

In addition, in accordance with SEC Securities Regulation Code (SRC) Rule 38, an independent director is any person who:

- **a) Is not a director or officer of the company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;**
- **b) Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;**
- **c) Is not related to any director, officer or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;**
- **d) Is not acting as a nominee or representative of any director or substantial shareholder of the company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;**
- **e) Has not been employed in any executive capacity by the company, any of its related companies and/or by any of its substantial shareholders within the last five (5) years;**
- **f) Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the company, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or**
- **g) Has not engaged and does not engage in any transaction with the company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.**

The nomination, pre-screening and election of independent directors were made in compliance with the Company's definition and the requirements of the Code of Corporate Governance and SRC Rule 38. The Nomination Committee has determined that the nominees for independent directors possess all of the qualifications and none of the disqualifications for independent directors.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company follows the rules regarding term limits for Independent Directors as provided under SEC Memorandum Circular No. 9, Series of 2011.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason

NONE. There were no changes in the composition of the Board of Directors in 2014.

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors (ii) Non-Executive Directors	**Members of the Board of Directors are nominated by the Nomination Committee and elected at the annual meeting of the stockholders to serve for a term of one (1) year until their successors are duly elected and qualified.** **The Nomination Committee reviews and evaluates all candidates nominated to Officer positions in the Company that, under the Company's By-Laws, require Board approval prior to effectivity of such Officer appointments or promotions.**	**The Company's Amended By-Laws mandate that each director shall possess all of the following qualifications:** **(a) a holder of at least one (1) share of stock of the Company;** **(b) at least a holder of a Bachelor's Degree, or to substitute for such formal education, must have adequate competency and understanding of business;** **(c) of legal age; and** **(d) shall have proven to possess integrity and probity.** **In addition, under the Company's Revised Manual on Corporate Governance, the Nomination Committee also considers the following factors in determining the fitness of a nominee to the Board:** **(a) college education or equivalent academic degree;** **(b) practical understanding of the business of the Company;** **(c) membership in good standing in relevant industry, business, or professional organizations; and,** **(d) previous business experience.**
(iii) Independent Directors		**In addition to the foregoing qualifications, a director nominated and elected as independent shall likewise meet the following requirements:** **(i) He is not a director or officer of the Company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing.**

Procedure	Process Adopted	Criteria
		(ii) He does not own more than two percent (2%) of the shares of the Company and/or its related companies or any of its substantial shareholders. **(iii) He is not a relative to any director, officer or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister.** **(iv) He is not acting as a nominee or representative of any director or substantial shareholder of the Company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement.** **(v) He has not been employed in any executive capacity by the Company, any of its related companies, and/or any of its substantial shareholders within the last five (5) years.** **(vi) He is not retained as professional adviser by the Company, and/or any of its related companies and/or any of its substantial shareholders within the last five (5) years.** **(vii) He is not retained, either personally or through his firm or any similar entity, as professional adviser, by the Company, any of its related companies and/or any of its substantial shareholders, either personally or through his firm.** **(viii) He has not engaged and does not engage in any transaction with the Company and /or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or company of which he is**

Procedure	Process Adopted	Criteria
		a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.
b. Re-appointment		
(i) Executive Directors	**Same process and criteria as Selection/Appointment**	
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	**The Nomination Committee shortlists, assesses and evaluates all candidates nominated to become a member of the Board in accordance with the qualification and disqualification criteria set out in the Revised Manual on Corporate Governance.**	**The following shall be grounds for the permanent disqualification of a director:** **(i) Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;** **(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or**

Procedure	Process Adopted	Criteria
		practice in any of the capacities mentioned in the sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities. (iii) The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking, or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member participant of the organization; (iv) Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts; (v) Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or any of its rule, regulation or order;

Procedure	Process Adopted	Criteria
		(vi) Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation; **(vii) Any person judicially declared to be insolvent;** **(viii) Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in subparagraphs (i) to (v) above;** **(ix) Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation code committed within five (5) years prior to the date of his election or appointment.**
d. Temporary Disqualification		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	**The Nomination Committee shortlists, assesses and evaluates all candidates nominated to become a member of the Board in accordance with the qualification and disqualification criteria set out in the Revised Manual on Corporate Governance.** **A temporary disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.**	**The Board provides for the temporary disqualification or suspension of a director for the following reasons:** **(i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.** **(ii) Absence in more than fifty (50) percent of all regular and special meeting of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.** **(iii) Dismissal or termination for cause as director of any corporation covered by the SEC's Code of Corporate Governance.**

Procedure	Process Adopted	Criteria
		The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination. **(iv) If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.** **(v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.**
e. Removal		
(i) Executive Directors	**Same process and criteria as Permanent/Temporary Disqualification**	
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	**Same process and criteria as Selection/Appointment**	
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	**Same process and criteria as Permanent/Temporary Disqualification**	
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Benito Tan Guat	**100%**
Willy N. Ocier	**100%**
Elizabeth Anne C. Uychaco	**100%**
Frederic C. DyBuncio	**100%**
Emilio S. De Quiros, Jr.	**100%**
Gregorio U. Kilayko	**100%**
Jacinto C. Ng, Jr.	**100%**
Jose T. Sio	**100%**
Washington Z. SyCip	**100%**
Virginia A. Yap	**100%**
Cesar E.A. Virata	**100%**

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

All newly-elected members of the Board of Directors shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute, provided that they have not previously attended such seminar.

(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years

See table below.

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Benito Tan Guat **Willy N. Ocier** **Frederic C. DyBuncio** **Emilio S. De Quiros, Jr.** **Elizabeth Anne C. Uychaco** **Virginia A. Yap**	**May 26, 2014**	**Workshop on Corporate Governance**	**Institute of Corporate Directors**
Cesar E. A. Virata	**August 27, 2013**	**SEC Corporate Governance Initiatives**	**Rizal Commercial Banking Corporation**
Elizabeth Anne C. Uychaco	**December 18, 2009**	**Corporate Governance Orientation**	**KPMG**
Emilio S. De Quiros, Jr.	**2010**	**ASSA Conference (Vietnam)**	**ASEAN Social Security Association**
		ISSA Conference (Capetown, South Africa)	**International Social Security Association**
Emilio De Quiros, Jr.	**2011**	**ASSA Conference (Singapore)**	**ASEAN Social Security Association**
Jacinto C. Ng, Jr.	**March 8 – 9, 2011**	**Global Workforce Summit**	**Worldwide ERC**
Emilio De Quiros, Jr.	**2012**	**Asia Mining Congress (Singapore)**	**Asia Mining Congress**
		ISSA Forum for Technical Commissions (Geneva, Switzerland)	**International Social Security Association**
		ISSA Social Security Forum for Asia and the Pacific (Seoul, South Korea)	**International Social Security Association**
Senior Management	**February 2012**	**ONE SM Orientation**	**In-house**
Willy N. Ocier	**May 1-4, 2012**	**Asia Pacific Lottery Association Conference**	**Asia Pacific Lottery Association**
Willy N. Ocier	**May 22 – 24,**	**G2E Gaming Conference**	**American Gaming**

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Elizabeth Anne C. Uychaco	**2012**	**(Macau)**	**Association and Reed Exhibitions**
Senior Management			
Frederic C. DyBuncio	**June 27, 2012**	**Corporate Governance Orientation**	**KPMG**
Jacinto C. Ng, Jr.	**October 10 – 12, 2012**	**Hotel Investment Conference Asia Pacific 2012**	**Burba Hotel Network**
Senior Management	**October 16, 2012**	**Enterprise Risk Management Framework Orientation and Rollout**	**In-house**
Jacinto C. Ng, Jr.	**October 23, 2012**	**"Is a Bubble in the Philippine Real Estate Sector Developing?"**	**University of Asia & the Pacific and Business Economics Club**
Jacinto C. Ng, Jr.	**November 20, 2012**	**Opportunities & Challenges in the Philippine Power Industry**	**Poyry Energy, Inc.**

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	**The Company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the Company.** **All business decisions and actions must be based on the best interests of the Company and not motivated by personal considerations or relationships which may interfere with the exercise of independent judgment. All directors, officers and employees are required to promptly disclose any financial or personal interest in any transaction involving the Company to ensure that potential conflicts of interest are brought to the attention of management.** **All directors, officers and employees shall act with utmost integrity and shall not engage in unfair dealing practices. The Company prohibits any conflict of interest, unfair competition, breach of trust, insider trading, or any other act inimical to the Company's interest.**		
(b) Conduct of Business and Fair Dealings	**All directors, officers and employees shall at all times observe propriety and act with fairness and transparency in dealing with business partners (i.e., contractors, suppliers, creditors and other entities that engage in business with the Company). They must adhere to the Company's principles of healthy competition, equal opportunity and fair treatment of business partners.** **All directors, officers and employees shall act with utmost integrity and shall not engage in unfair dealing practices. The Company prohibits any conflict of interest,**		

Business Conduct & Ethics	Directors	Senior Management	Employees
	unfair competition, breach of trust, insider trading, or any other act inimical to the Company's interest.		
(c) Receipt of gifts from third parties	The Company prohibits the solicitation or acceptance of gifts in any form from a business partner (i.e., contractors, suppliers, banks and other entities engaged in business with the Company), directly or indirectly, by any director, officer or employee of the Company.		
(d) Compliance with Laws & Regulations	The Company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the Company. All directors, officers and employees are required to immediately report all suspected or actual fraudulent or dishonest acts to management. The Company shall promptly investigate any suspected illegality and pursue appropriate administrative, civil and/or criminal actions.		
(e) Respect for Trade Secrets/Use of Non-public Information	All directors, officers and employees shall maintain and safeguard the confidentiality of information relating to the Company. Vital business information, such as financial reports, strategies and plans, shall not be disclosed unless authorized by the Company or required by law. Everyone shall ensure the accuracy of business information and protect the integrity of corporate records and other documents related to the operation of the Company. All directors, officers and employees are prohibited from trading shares of stock of the Company using material information that has not been disclosed to the public and obtained by reason of position, contact within or other relationship with the Company.		
(f) Use of Company Funds, Assets and Information	All directors, officers and employees shall maintain and safeguard the confidentiality of information relating to the Company. Vital business information, such as financial reports, strategies and plans, shall not be disclosed unless authorized by the Company or required by law. Everyone shall ensure the accuracy of business information and protect the integrity of corporate records and other documents related to the operation of the Company.		
(g) Employment & Labor Laws & Policies	All officers and employees shall be selected, engaged and compensated based on qualification, merit and performance. They shall be treated fairly and accorded respect and dignity. Their individual and collective rights shall not be violated. The Company shall maintain a safe, productive and conducive workplace and environment and comply with all applicable health, safety and environmental laws. It shall foster harmonious relations among its officers and employees and establish free and honest communication with them. The Company endeavors to provide career advancement through a clearly defined promotion system based on employees' competencies, major contributions and accomplishments, work attitude and interpersonal relationship. The Company shall also offer its employees continuous learning sessions, seminars and workshops to improve and increase their level of competency, efficiency and general well-being.		

Business Conduct & Ethics	Directors	Senior Management	Employees
(h) Disciplinary action	**Disciplinary action or penalties shall be imposed immediately or as soon as possible after the offense has been established. Due process of law and the right to a prompt hearing will be accorded to the employee. Disciplinary actions should in no instance be violative of labor laws and fair practices.**		
(i) Whistle Blower	**The Company's whistle blower policy was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any stakeholder may submit an incident report on suspected or actual violations of the Code of Ethics and Discipline or any other applicable law or regulation. Upon receipt of an incident report, management is tasked to conduct an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. Anyone who in good faith reports a violation of the Code or policies or law shall not be retaliated upon or suffer harassment or adverse employment consequence.**		
(j) Conflict Resolution	**Disciplinary action or penalties shall be imposed immediately or as soon as possible after the offense has been established. Due process of law and the right to a prompt hearing will be accorded to the employee. Disciplinary actions should in no instance be violative of labor laws and fair practices.**		

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

YES. All directors, officers and employees are given a copy of the Company's Manual on Corporate Governance and Codes of Ethics and Discipline and are required to sign an Acknowledgement Receipt that will be kept as part of the employee's 201 file.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Directors, officers and employees of the Company commit to comply with both the letter and spirit of the Code to preserve the goodwill and reputation of the Company. The Human Resources Department shall be responsible for monitoring compliance with the Code. Disciplinary actions against violators include dismissal and/or filing of appropriate civil and criminal actions.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	**The Company practices full disclosure of details of related party transactions. The nature, extent and all other material details of transactions with related parties are disclosed in the Company's financial statements and quarterly and annual reports to the SEC and PSE. The financial statements and reports are also available in the**
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including	

spouse/children/siblings/parents	**Company website and readily accessible to the public.** **The Company conducts all related party transactions on an arm's length basis. In addition, a periodic assessment is made on the following:** ▪ **Collectability of receivables from related parties and the necessity to provide allowance for doubtful accounts for such receivables** ▪ **Market and financial risks faced by related parties** ▪ **Guarantees issued to or received from related parties** ▪ **Financial and economic soundness of related party transactions (e.g., receivables and payables, cash placements and loans, investments in shares of stock, management/service fees, etc.)** **Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Audit and Risk Management Committee.**
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	**Inherent in any company, probable conflicts of interest may include:** ▪ **When the director/officer/significant shareholder would use his/her position for personal financial gain or to benefit a company in which the director/officer/significant shareholder has a financial interest** ▪ **When outside financial or other interests may inappropriately influence the way in which the director/officer/significant shareholder carries out his/her responsibilities** ▪ **When the director's/officer's/significant shareholder's outside interests otherwise may cause harm to the Company's reputation and its stakeholders** ▪ **When there is an outside relationship that may deter the director/officer/significant shareholder from devoting an appropriate amount of time, energy, creativity, or other personal resources to his/her responsibilities** **The Company has no instance of conflict of interest to which directors, officers or significant shareholders may be involved.**
Name of Officer/s	
Name of Significant Shareholders	

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	**The Company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the Company.** **All business decisions and actions must be based on the best interests of the Company and not motivated by personal considerations or relationships which may interfere with the exercise of independent judgment. All directors, officers and employees are required to promptly disclose any financial or personal interest in any transaction involving the Company to ensure that potential conflicts of interest are brought to the attention of management.** **All directors, officers and employees shall act with utmost integrity and shall not engage in unfair dealing practices. The Company prohibits any conflict of interest, unfair competition, breach of trust, insider trading, or any other act inimical to the Company's interest.** **In addition, the Company practices full disclosure of details of related party transactions. The nature, extent and all other material details of transactions with related parties are disclosed in the Company's financial statements and quarterly and annual reports to the SEC and PSE. The financial statements and reports are also available in the Company website and readily accessible to the public.** **Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Audit and Risk Management Committee.**
Group	

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
▪ **Belleshares Holdings, Inc.** ▪ **Sysmart Corporation** ▪ **SM Development Corporation** ▪ **Sybase Equity Investments Corporation**	**Business**	**With common largest stockholder**

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

Names of Related Significant Shareholders	Type of Relationship	Brief Description
▪ Belleshares Holdings, Inc. ▪ SM Development Corporation ▪ Sybase Equity Investments Corporation	**Business**	**With common stockholder**

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
NONE. There are no shareholder arrangements which may impact the control, ownership and strategic direction of the Company.		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders **Corporation & Third Parties** **Corporation & Regulatory Authorities**	**A neutral third party participates to assist in the resolution of issues between the Company and stockholders, third parties and regulatory authorities. The alternative dispute resolution system may include arbitration, mediation, conciliation, early neutral evaluation, mini-trial, or any combination thereof, as the Company and the circumstances sees fit.** **Consideration is given to the need to promote candor through confidentiality of the process, the policy of fostering prompt, economical, and amicable resolution of disputes in accordance with the principles of integrity of determination by the parties, and the policy that the decision-making authority in the process rests with the parties.** **There were no conflicts between the corporation and its stockholders, the corporation and third parties, and the corporation and regulatory authorities, for the last three years.**

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

YES. Meetings of the Board of Directors are usually scheduled in the month following each quarter-end, and the schedule is finalized subject to the availability of the directors. Additional meetings are scheduled as the need arises.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	**Benito Tan Guat**	**4/28/14**	**10**	**9**	**90%**
Vice-Chairman	**Willy N. Ocier**	**4/28/14**	**10**	**10**	**100%**
Vice-Chairman	**Elizabeth Anne C. Uychaco**	**4/28/14**	**10**	**10**	**100%**
Member	**Frederic C. DyBuncio**	**4/28/14**	**10**	**10**	**100%**
Member	**Emilio S. De Quiros, Jr.**	**4/28/14**	**10**	**8**	**80%**
Independent	**Gregorio U. Kilayko**	**4/28/14**	**10**	**7**	**70%**
Member	**Jacinto C. Ng, Jr.**	**4/28/14**	**10**	**8**	**80%**
Member	**Jose T. Sio**	**4/28/14**	**10**	**8**	**80%**
Independent	**Washington Z. SyCip**	**4/28/14**	**10**	**8**	**80%**
Independent	**Cesar E. A. Virata**	**4/28/14**	**10**	**10**	**100%**
Member	**Virginia A. Yap**	**4/28/14**	**10**	**10**	**100%**

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

NO. Moving forward, non-executive directors will meet at least once a year without the presence of executive directors and senior management as part of their program to improve effective governance for the coming year.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

NO. A majority of the directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors as provided for under the Company's Amended By-Laws.

5) Access to Information

(a) How many days in advance are board papers[5] for board of directors meetings provided to the board?

Board papers for Board of Directors' meetings are provided to the directors at least five (5) business days before the meeting.

(b) Do board members have independent access to Management and the Corporate Secretary?

YES. Board members have independent access to management and the Corporate Secretary.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

Under the Company's Revised Manual on Corporate Governance, the Corporate Secretary has the following duties and responsibilities:

1) **Be responsible for the safekeeping and preservation of the integrity of minutes of the meeting of the Board and its committees, as well as other official records of the Company.**
2) **Work fairly and objectively with the Board, management and stockholders.**
3) **Have appropriate administrative and interpersonal skills.**
4) **If he is not at the same time the Company's legal counsel, to be aware of the laws, rules, and regulations necessary in the performance of his duties and responsibilities.**
5) **Have a working knowledge of the operations of the Company.**
6) **Inform that members of the Board, or of the committees of the Board, as the case may be, in accordance with the By-Laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.**
7) **Attend all Board meetings except when justifiable causes, such as illness, death in the immediate family and serious accidents prevent him from doing so.**
8) **Ensure that all Board and Committee procedures, rules and regulations are strictly followed by members.**
9) **If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in the SEC's Code of Corporate Governance.**

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.
YES. The Corporate Secretary (Atty. A. Bayani K. Tan) holds a Master of Laws degree from New York University USA and earned his Bachelor of Laws degree from the University of the Philippines. He passed the bar examinations in 1981.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes ■ No ☐

Committee	Details of the procedures
Executive	**To enable the Board to properly fulfill their duties and responsibilities, they are provided with complete and timely information about the matters in the agenda of the meetings. Directors are given independent access to management and the Corporate Secretary and they can freely communicate with them through email or telephone.**
Audit	
Risk Management	
Nomination	
Remuneration	
Others (specify)	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
To enable the Board to properly fulfill their duties and responsibilities, they are provided with complete and timely information about the matters in the agenda of the meetings. Directors are given independent access to management and the Corporate Secretary, as well as to independent professional advice when the need arises.	

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
NONE. There were no changes introduced by the Board of Directors on existing policies that may have an effect on the business of the Company.		

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	**The Compensation and Remuneration Committee determines the amount of remuneration which shall be in a level sufficient to attract directors, executives and other key senior personnel needed to run the Company successfully.** **Executive compensation is composed of salaries, bonuses and other annual compensation, plus fixed per diem for every board meeting attended.**	
(2) Variable remuneration		
(3) Per diem allowance		
(4) Bonus		
(5) Stock Options and other financial instruments		
(6) Others (specify)		

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	**The Compensation and Remuneration Committee determines the amount of remuneration which shall be in a level sufficient to attract directors, executives and other key senior personnel needed to run the Company successfully.** **Executive compensation is composed of salaries, bonuses and other annual compensation, plus fixed per diem for every board meeting attended.**		
Non-Executive Directors	**Fixed per diem for every board meeting attended**	**Independent Director – ₱50,000 / meeting** **Others – ₱10,000 / meeting**	

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval

NO. The Compensation and Remuneration Committee determines the amount of remuneration of directors, executives and employees.

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	**13,700,000**	–	–
(b) Variable Remuneration	–	–	–
(c) Per diem Allowance	**190,000**	**590,000**	**1,250,000**
(d) Bonuses	–	–	–
(e) Stock Options and/or other financial instruments	–	–	–
(f) Others (Specify)	–	–	–
Total	**13,890,000**	**590,000**	**1,250,000**

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	–	–	–
2) Credit granted	–	–	–
3) Pension Plan/s Contributions	**see footnote (a)**	–	–
4) Pension Plans, Obligations incurred	–	–	–
5) Life Insurance Premium	**23,000**	–	–
6) Hospitalization Plan		–	–
7) Car Plan	–	–	–
8) Others (Specify)	–	–	–
Total	**23,000**	–	–

(a) Included in the retirement contribution given for the Company's eligible employees as a whole

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
NONE. There are no option grants outstanding held by directors and officers as of December 31, 2014.				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
NONE. There are no amendments and/or discontinuation of any incentive programs in 2014.		

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
1. Frederic C. DyBuncio (President & CEO)	**Estimated P26.7 million**
2. Armin B. Raquel-Santos (EVP –Integrated Resorts	
3. Manuel A. Gana (EVP & CFO)	
4. Rudy P. Aninipot (VP-Property Maintenance)	
5. Rogelio I. Robang (VP – Construction Management & External Affairs)	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	**2**	**3**		**The Executive Committee oversees the management of the Company and is responsible for the Company's finances, goals, and policies. The Committee is also tasked to foster the long-term success of the Company and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders through sound strategic policies, guidelines and programs that can sustain the Company's long-term viability**			

Committee	No. of Members			Committee Functions Key Power
				and strength.
Audit		**2**	**2**	**The Audit Committee assists and advises the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's accounting, financial reporting, auditing practices and internal control systems and adherence to over-all corporate governance best practice. The Committee also oversees the Company's process for monitoring compliance with laws, regulations, the Code of Ethics and Discipline, and performs other duties as the Board may require.** **Under its Charter, the Committee is duty-bound to perform and carry out the following responsibilities, among others, categorized under <u>seven (7)</u> major domains:** **1) Financial statements and reporting** **– Review significant accounting and reporting issues** **– Review and endorse to the Board for approval the financial statements of the Company** **– Review the results of external audit** **2) Internal control** **– Review the effectiveness of the Company's internal control system** **3) Internal audit** **– Provide oversight of the performance of the internal audit group** **4) External audit** **– Review the external auditors' audit scope and approach and the results of the audit** **5) Compliance** **– Review and continually improve the effectiveness of the system for monitoring the results of management's investigation and follow-up of any instance of non-compliance** **6) Reporting responsibilities** **– Regularly report to the Board the Committee's activities, findings, decisions, deliberations and recommendations** **7) Other responsibilities** **– Perform other activities as requested by the Board**
Risk Management		**2**	**2**	**The Risk Management Committee assists and advises the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's Risk Management System, <u>by carrying out the following:</u>** **– Review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks** **– Review the details of the Company's related party transactions.**

Committee	No. of Members			Committee	Functions	Key	Power
Nomination	1	2	1	The Nomination Committee evaluates all candidates nominated to the Board in accordance with the requirements set forth by the Company's Revised Manual on Corporate Governance. The Committee ensures that those nominated to the Board meet all the qualifications for directorship.			
Compensation and Remuneration	2	2	1	The Compensation and Remuneration Committee is tasked with the oversight of policies on salaries and benefits, as well as promotions and other forms of career advancement. The Committee also reviews existing human resource policies to ensure the continued growth and development of the Company's workforce.			
Others -specify				NONE			

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Willy N. Ocier	4/28/2014	13	11		16
Member (NED)	Elizabeth Anne C. Uychaco	4/28/2014	13	12		5
Member (ED)	Frederic C. DyBuncio	4/28/2014	13	12		<2
Member (NED)	Jacinto C. Ng, Jr.	4/28/2014	13	3		14
Member (NED)	Virginia A. Yap	4/28/2014	13	13		4

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Gregorio U. Kilayko	4/28/2014	6	6	100%	12
Member (NED)	Jacinto C. Ng, Jr.	4/28/2014	6	3	50%	14
Member (ID)	Cesar E. A. Virata	4/28/2014	6	6	100%	19
Member (NED)	Virginia A. Yap	4/28/2014	6	6	100%	4

(c) Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Gregorio U. Kilayko	4/28/2014	5	5	100%	12
Member (NED)	Jacinto C. Ng, Jr.	4/28/2014	5	3	60%	14
Member (ID)	Cesar E. A. Virata	4/28/2014	5	5	100%	19
Member (NED)	Virginia A. Yap	4/28/2014	5	5	100%	4

Disclose the profile or qualifications of the Audit Committee and the Risk Management Committee members.

Gregorio U. Kilayko

Mr. Kilayko is an Independent Director of the Company. He was founding head of ING Barings' stockbrokerage and investment banking business in the Philippines, and a Philippine Stock Exchange Governor in 1996 and 2000. Mr. Kilayko holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania.

Cesar E.A. Virata

Mr. Virata is an Independent Director of the Company. He is the President and Principal Consultant of C. Virata & Associates, Inc., Management Consultants. He is currently the Vice Chairman of Rizal Banking Corporation (RCBC); and Director of RCBC subsidiaries and some affiliates. He is also an Independent Director of Benpres Holdings Corporation, City & Land Development Corporation and Business World. Mr. Virata was formerly the Minister of Finance and Prime Minister of the Philippines.

Jacinto C. Ng, Jr.

Mr. Ng is a Director of the Company and concurrently a Director and Treasurer of Republic Biscuit Corporation and the Chief Executive Officer of Elanvital Enclaves, Inc. Mr. Ng is also a Director of the following companies: Asia United Insurance Corporation, Highlands Prime, Inc., Manila Bay Development Corporation, Quantuvis Resources Corporation and Palm Concepcion Power Corporation.

Virginia A. Yap

Ms. Virginia A. Yap is a Director of the Company. She is also a member of the Company's Executive and Nomination Committee. Ms. Yap holds key positions in the SM Group of Companies including being Treasurer of SM Development Corporation, and Vice President – Office of the Chairman of the Board of Directors of SM Investments Corporation, SM Land, Inc. (formerly Shoemart, Inc.) and SM Retail Inc.

She is also the Treasurer of the Highlands Prime, Inc. since August 22, 2002, a member of the Board of Directors since January 25, 2010, and a member of Executive, Compensation and Remuneration, and Audit Committees of Highlands Prime Inc. She holds a Bachelor of Science in Commerce (Major in Accounting) degree from the University of Mindanao. She has been connected with the SM Group of Companies for the last twenty-five years.

Describe the Audit Committee's responsibility relative to the external auditor.

The Board, through the Audit Committee, recommends to the stockholders a duly accredited external auditor who shall undertake the independent audit and shall provide and perform an objective assurance on the preparation and presentation of financial statements.

The Audit Committee also:

- **Performs oversight functions of the Company's external auditors. It ensures that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit function.**
- **Prior to the commencement of the audit, discusses with the external auditor the nature, scope and expenses of the audit and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.**
- **Reviews the reports submitted by the external auditors.**
- **Evaluates and determines the non-audit work, if any, of the external auditor, and reviews periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with the duties of the external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report.**

(d) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	**Washington Z. SyCip**	**4/28/2014**	**1**	**1**	**100%**	**19**
Member (ED)	**Willy N. Ocier**	**4/28/2014**	**1**	**1**	**100%**	**16**
Member (NED)	**Jose T. Sio**	**4/28/2014**	**1**	**1**	**100%**	**5**
Member (NED)	**Virginia A. Yap**	**4/28/2014**	**1**	**1**	**100%**	**4**

(e) Compensation and Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	**Willy N. Ocier**	**4/28/2014**	**1**	**1**	**100%**	**16**
Member (ED)	**Frederic C. DyBuncio**	**4/28/2014**	**1**	**1**	**100%**	**<2**
Member (ID)	**Emilio S. De Quiros, Jr.**	**4/28/2014**	**1**	**1**	**100%**	**4**
Member (NED)	**Elizabeth Anne C. Uychaco**	**4/28/2014**	**1**	**1**	**100%**	**3**
Member (ID)	**Cesar E. A. Virata**	**4/28/2014**	**1**	**1**	**100%**	**19**

(f) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	**NONE. There are no other committees constituted by the Board of Directors other than the ones identified above.**					
Member (ED)						
Member (NED)						
Member (ID)						
Member						

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	**NONE**	
Audit	**NONE**	
Risk Management	**NONE**	
Nomination	**NONE**	
Compensation and Remuneration	**NONE**	
Others (specify)	**NONE**	

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	▪ **Oversee the management of the Company, which includes, among others:** – **Financial matters** – **Construction updates and issues** – **Property maintenance updates and issues** – **Sales and post-sales concerns** – **Legal matters** ▪ **Reviewed the Company's vision, mission, strategies, plans, and annual budget** ▪ **Monitored the implementation of policies and strategies, including management's overall performance**	
Audit	▪ **Assisted and advised the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's accounting, financial reporting, auditing practices, risk management and internal control systems and adherence to over-all corporate governance best practice** ▪ **Reviewed significant accounting and reporting issues, and endorsed to the Board for approval the financial statements of the Company** ▪ **Reviewed the effectiveness of the Company's internal control system** ▪ **Provided oversight of the performance of the internal audit group** ▪ **Reviewed the external auditors' audit scope and approach and the results of the audit**	
Risk Management	▪ **Reviewed the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks** ▪ **Reviewed the details of the Company's related party transactions**	
Nomination	▪ **Evaluated all candidates nominated to the Board in accordance with the requirements set forth by the SEC and the Company's Manual on Corporate Governance** ▪ **Ensured that those nominated to the Board meet all the qualifications and none of the disqualifications for directorship**	
Compensation and Remuneration	▪ **Performed oversight of policies on salaries and benefits, as well as promotions and other forms of career advancement** ▪ **Reviewed existing human resource policies to ensure the continued growth and development of the Company's workforce**	
Others (specify)	**NONE**	

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	▪ **Foster the long-term success of the Company and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders through sound strategic policies, guidelines and programs that can sustain the Company's long-term viability and strength**	

Name of Committee	Planned Programs	Issues to be Addressed
	▪ Periodically review the Company's vision, mission, strategies, plans, and annual budget and continuously monitor the implementation of such policies and strategies, including management's overall performance ▪ Institutionalize the risk management assessment process to ensure standardization, effectiveness and efficiency, and continuously monitor key risk areas and performance indicators with due diligence to enable the Company to anticipate and prepare for possible threats to its operational and financial viability ▪ Institute good corporate governance practices and ensure effective communication with all employees for acknowledgment and strict compliance ▪ Define policies and plans regarding corporate social responsibility (CSR), including formulating an action plan for publicizing and promoting awareness of CSR among all officers and employees	
Audit	▪ Implement the action plans made based on the results of the self-assessment conducted following the guideline set forth by SEC Memorandum Circular No. 4, which includes, among others: – Develop a succession plan for its members and Chair – Reporting to the Board and issuance of certifications on critical compliance issues – Review and approval of management representation letter before submission to external auditor – Obtaining management's assurance on the state of internal controls – Promotion of risk awareness in the organization – Evaluation of compliance with the Code of Conduct for management – Review and approval of fees of external auditor	
<u>Risk Management</u>	▪ Review and assess the effectiveness of the Company's risk management system in the mitigation of financial and non-financial risks ▪ Review the Company's continual process of good corporate governance, as well as providing approaches and advices for development, and tasking management to look into the evolving ASEAN Corporate Governance initiative from the regulators and advocacy groups to see what other enhancements can be properly pursued ▪ Oversee the effectiveness of the Company's whistleblower policy, so that the whistleblower has the confidence that the Company has the required and appropriate independent procedure to effectively investigate and resolve such possible wrong-doings and non-compliance issues	
Nomination	▪ Enhance the process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies, and appoint competent, professional, honest and highly-motivated management officers ▪ Ensure annual performance appraisal of individual directors, the board as a whole, board committees and the President, and periodically review the criteria used in assessing such performance ▪ Formulate succession plans for top key management positions and review such plan on a regular basis ▪ Identify areas for improvement of the members of the Board, such as training/continuing education programs or any other form of assistance that directors may need in the performance of their duties	

Name of Committee	Planned Programs	Issues to be Addressed
Compensation and Remuneration	**▪ Periodically review the compensation method for directors, officers and employees so that they are equitable and appropriately corresponds to the respective assigned duties and responsibilities, current business environment and performance results of the Company** **▪ Define goals and evaluate the performance of top management to set reasonable compensation**	
Others (specify)	**NONE**	

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Risk Management Committee reviews annually the effectiveness of the Company's risk management system. The Committee reviews the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks, including management's reduction and mitigation plan to sufficiently and swiftly manage major financial and business risk exposures.

For the year ended <u>December 31, 2014</u>, effective and adequate risk management mechanisms are in place, implemented and properly complied in all levels.

(c) Period covered by the review;

The Risk Management Committee reviews annually the effectiveness of the Company's risk management system.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The Risk Management Committee reviews annually the effectiveness of the Company's risk management system. The Committee reviews the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks, including management's reduction and mitigation plan to sufficiently and swiftly manage major financial and business risk exposures.

(e) Where no review was conducted during the year, an explanation why not. **NOT APPLICABLE**

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Financial Risks ▪ Interest rate risk ▪ Foreign currency risk ▪ Credit risk ▪ Liquidity risk ▪ Equity price risk ▪ Capital management	▪ Manage interest cost by limiting borrowings ▪ Mitigate transactional currency exposure by maintaining costs at consistently low levels, regardless of upward or downward movement in the foreign currency exchange rate ▪ All customers who wish to trade on credit terms are subject to credit verification procedures, and receivable balances are monitored on an ongoing basis to ensure that exposure to bad debts is not significant ▪ Maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information ▪ Maintain debt-to-equity ratio at manageable levels	The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives. In order to mitigate risk exposures, the Company continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.
Market Risks ▪ Economic and political conditions ▪ Competition	▪ Diversify portfolio by offering different product lines ▪ Enhance existing amenities and introduce new concepts which will cater to the high-end market ▪ Offer long and affordable terms for buyers	
Performance / Completion Risks ▪ Suppliers ▪ Contractors	▪ Purchase only from accredited suppliers ▪ Performance bonds for contractors to ensure contractual arrangements meet the Company's performance standards	
Regulatory Risks ▪ Government regulations ▪ Changes to Philippine laws and regulations	▪ Compliance with licensing and regulatory requirements necessary to operations	

Risk Exposure	Risk Management Policy	Objective
<u>Hazard Risks</u> ▪ Natural disasters	▪ Regular site inspections by Company personnel and consultants/experts ▪ Implement safety measures in the design plans ▪ Include in insurance coverage	
<u>IT Risks</u> ▪ Primary data center risk ▪ Mission critical business application risk ▪ Internet connection risk ▪ Hacking risk ▪ IT solution acquisition risk	▪ Co-location arrangement with redundant capability and automatic fail-over set-up for disaster recovery ▪ Implement enterprise security solutions to manage external and internal threats ▪ Annual review of technology roadmap to ensure alignment between business and IT	

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
<u>Financial Risks</u> ▪ Interest rate risk ▪ Foreign currency risk ▪ Credit risk ▪ Liquidity risk ▪ Equity price risk ▪ Capital management	▪ Manage interest cost by limiting borrowings ▪ Mitigate transactional currency exposure by maintaining costs at consistently low levels, regardless of upward or downward movement in the foreign currency exchange rate ▪ All customers who wish to trade on credit terms are subject to credit verification procedures, and receivable balances are monitored on an ongoing basis to ensure that exposure to bad debts is not significant ▪ Maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information ▪ Maintain debt-to-equity ratio at manageable levels	The Group has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Group aligns its risk appetite with its long-term strategic objectives. In order to mitigate risk exposures, the Group continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.
<u>Market Risks</u> ▪ Economic and political conditions	▪ Diversify portfolio by offering different product lines ▪ Enhance existing amenities and	

Risk Exposure	Risk Management Policy	Objective
▪ Competition	introduce new concepts which will cater to the high-end market ▪ Offer long and affordable terms for buyers	
Performance / Completion Risks ▪ Suppliers ▪ Contractors	▪ Purchase only from accredited suppliers ▪ Performance bonds for contractors to ensure contractual arrangements meet the Group's performance standards	
Regulatory Risks ▪ Government regulations ▪ Changes to Philippine laws and regulations	▪ Compliance with licensing and regulatory requirements necessary to operations	
Hazard Risks ▪ Natural disasters	▪ Regular site inspections by Group personnel and consultants/experts ▪ Implement safety measures in the design plans ▪ Include in insurance coverage	
IT Risks ▪ Primary data center risk ▪ Mission critical business application risk ▪ Internet connection risk ▪ Hacking risk ▪ IT solution acquisition risk	▪ Co-location arrangement with redundant capability and automatic fail-over set-up for disaster recovery ▪ Implement enterprise security solutions to manage external and internal threats ▪ Annual review of technology roadmap to ensure alignment between business and IT	

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
Principal risks of the exercise of controlling shareholders' voting power are as follows: **1) Majority shareholders may dominate major Company decisions** **2) Lack of transparency on the actions and decisions of majority shareholders** **3) Abusive and inequitable conduct on the part of majority shareholders** **4) Rights of minority shareholders may not be upheld and protected** **The Company's Revised Manual on Corporate Governance expressly provides for the protection of its**

stockholders' rights and minority interests. The Board of Directors is committed to respect the rights of minority stockholders.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

<table>
<tr><th>Risk Exposure</th><th>Risk Assessment
(Monitoring and Measurement Process)</th><th>Risk Management and Control
(Structures, Procedures, Actions Taken)</th></tr>
<tr><td><u>Financial Risks</u>
▪ Interest rate risk
▪ Foreign currency risk
▪ Credit risk
▪ Liquidity risk
▪ Equity price risk
▪ Capital management</td><td colspan="2" rowspan="6">The Company has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Company aligns its risk appetite with its long-term strategic objectives.

In order to mitigate risk exposures, the Company continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.

The Company also has an Enterprise Risk Management Committee (ERMC) which is an oversight committee created to act as the monitoring body for the individual risk management activities of the Company. The ERMC has the responsibility of developing a formal framework to assist the Company in managing its risks and is mandated to report regularly to the Risk Management Committee on any risk concerns.

In addition, the Risk Management Committee is tasked to perform and carry out the following responsibilities related to Risk Management:
1) Review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks.
2) Ensure that management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring.
3) Advise the Board, in consultation with management, on the overall risk management program of the Company as it relates to its risk appetite and strategic direction.
4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.
5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee believes should be discussed privately.
6) Review the details of the Company's related party transactions.</td></tr>
<tr><td><u>Market Risks</u>
▪ Economic and political conditions
▪ Competition</td></tr>
<tr><td><u>Performance / Completion Risks</u>
▪ Suppliers
▪ Contractors</td></tr>
<tr><td><u>Regulatory Risks</u>
▪ Government regulations
▪ Changes to Philippine laws and regulations</td></tr>
<tr><td><u>Hazard Risks</u>
▪ Natural disasters</td></tr>
<tr><td><u>IT Risks</u>
▪ Primary data center risk
▪ Mission critical business application risk
▪ Internet connection risk
▪ Hacking risk
▪ IT solution acquisition risk</td></tr>
</table>

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the Group:

<table>
<tr><th>Risk Exposure</th><th>Risk Assessment
(Monitoring and Measurement Process)</th><th>Risk Management and Control
(Structures, Procedures, Actions Taken)</th></tr>
<tr><td><u>Financial Risks</u>
▪ Interest rate risk
▪ Foreign currency risk
▪ Credit risk
▪ Liquidity risk
▪ Equity price risk
▪ Capital management</td><td colspan="2" rowspan="6">The Group has adopted a risk management policy that establishes a culture of disclosing, evaluating and managing risks, from the Board and throughout the organization toward achieving its goals and objectives, which include, among others, the protection and preservation its employees' and clients' safety and welfare, the value and condition of its properties and assets, and its local and global reputation. The Group aligns its risk appetite with its long-term strategic objectives.

In order to mitigate risk exposures, the Group continues to exercise fiscal prudence and adopt what it considers conservative financial and operational controls.

The Group also has an Enterprise Risk Management Committee (ERMC) which is an oversight committee created to act as the monitoring body for the individual risk management activities of the Group. The ERMC has the responsibility of developing a formal framework to assist the Group in managing its risks and is mandated to report regularly to the Risk Management Committee on any risk concerns.

In addition, the Risk Management Committee is tasked to perform and carry out the following responsibilities related to Risk Management:
1) Review the adequacy and effectiveness of the Group's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks.
2) Ensure that management sufficiently and swiftly manages risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring.
3) Advise the Board, in consultation with management, on the overall risk management program of the Group as it relates to its risk appetite and strategic direction.
4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice.
5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee believes should be discussed privately.
6) Review the details of the Group's related party transactions.</td></tr>
<tr><td><u>Market Risks</u>
▪ Economic and political conditions
▪ Competition</td></tr>
<tr><td><u>Performance / Completion Risks</u>
▪ Suppliers
▪ Contractors</td></tr>
<tr><td><u>Regulatory Risks</u>
▪ Government regulations
▪ Changes to Philippine laws and regulations</td></tr>
<tr><td><u>Hazard Risks</u>
▪ Natural disasters</td></tr>
<tr><td><u>IT Risks</u>
▪ Primary data center risk
▪ Mission critical business application risk
▪ Internet connection risk
▪ Hacking risk
▪ IT solution acquisition risk</td></tr>
</table>

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

<table>
<tr><th>Committee/Unit</th><th>Control Mechanism</th><th>Details of its Functions</th></tr>
<tr><td>Risk Management Committee</td><td colspan="2">The Committee is tasked to perform and carry out the following responsibilities related to Risk Management:
1) Review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks.
2) Ensure that Management sufficiently and swiftly manages</td></tr>
</table>

Committee/Unit	Control Mechanism	Details of its Functions
	risks, (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring. 3) Advise the Board, in consultation with Management, on the overall risk management program of the Company as it relates to its risk appetite and strategic direction. 4) May engage a consultant for a more independent assessment of the risk management infrastructure and review different units' best practice. 5) Meet separately with the Chief Risk Officer to discuss any matters that the Committee believes should be discussed privately. 6) Review the details of the Company's related party transactions. The Committee directly reports the results of its review and assessment of the Company's risk management process to the Board of Directors.	
Enterprise Risk Management Committee (ERMC)	**The ERMC is an oversight committee created to act as the monitoring body for the individual risk management activities of the Company. The ERMC has the responsibility of developing a formal framework to assist the Company in managing its risks and is mandated to report regularly to the Risk Management Committee on any risk concerns.**	

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

The Company defines internal control as the system established by the Board of Directors and management for the accomplishment of the Company's objectives, the efficient operation of its business, the reliability of its financial reporting, and faithful compliance with applicable laws, regulations and internal rules. The internal control system is the framework under which internal controls are developed and implemented to manage and control a particular risk or business activity, or a combination of risks or business activities, to which the Company is exposed.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Audit Committee reviews annually the effectiveness of the Company's internal control system, including information technology security and controls. To facilitate their review, the Committee understands and evaluates the scope of the internal and external auditors' review of internal controls over financial reporting, and obtains regular reports on significant findings and recommendations, together with management's responses, to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.

For the year ended December 31, 2014, effective and adequate internal control mechanisms are in place, implemented and properly complied in all levels.

(c) Period covered by the review;

The Audit Committee reviews annually the effectiveness of the Company's internal control system, including information technology security and controls.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

The Audit Committee reviews annually the effectiveness of the Company's internal control system, including information technology security and controls. To facilitate their review, the Committee understands and evaluates the scope of the internal and external auditors' review of internal controls over financial reporting, and obtains regular reports on significant findings and recommendations, together with management's responses, to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.

The scope and the particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risks; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

(e) Where no review was conducted during the year, an explanation why not. **NOT APPLICABLE**

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
To provide an independent, objective assurance and consulting activity designed to add value and improve the Company's operations	**To determine whether the Company's network of risk management, control and corporate governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:** • **Risk are appropriately identified and managed.** • **Interaction with the various corporate**	**In-house**	**Rhea Marie R. Abueg**	**The Internal Audit Head, in the discharge of her duties, shall be accountable to Audit Committee and the Senior Management to:** **a. Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth**

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
	governance groups occurs as needed. • Significant financial, managerial and operating information are accurate, reliable and timely. • Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations. • Resources are acquired economically, used efficiently and adequately protected. • Programs, plans and objectives are achieved. • Quality and continuous improvement are fostered in the control processes of the Company. • Significant legislative or regulatory issues impacting the Company are recognized and addressed appropriately.			under the mission and scope of work. b. Report significant issues related to the processes for controlling the activities of the organization and its subsidiaries, including potential improvements to those processes and provide information concerning such issues through resolution. c. Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources. d. Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal ethics, environmental, external audit)

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

YES. Under the Company's Revised Manual on Corporate Governance, the Audit Committee is tasked to organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagements and removal.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Internal Audit Head reports directly to the Audit Committee. In the performance of the internal audit function, the group is authorized to:

1) **Have unrestricted access to all functions, records, property and personnel.**
2) **Have full and free access to communicate with the Audit Committee.**
3) **Allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish audit objectives.**
4) **Obtain the necessary assistance of personnel in units of the Company where they perform audits, as well as other specialized services from with or outside the Company.**

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
NONE. There were no resignations/reassignment of internal audit staff during the period.	

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	**Internal audit engagements are conducted in accordance with the audit plan and timetable approved by the Audit Committee.**
Issues[6]	**Issues and findings noted during the audit were given appropriate attention by management and recommendations were implemented accordingly. Significant findings and recommendations, together with management's responses, are reported to the Audit Committee to enable the Committee to obtain reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate and complied with.**
Findings[7]	
Examination Trends	

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle

[6] "Issues" are compliance matters that arise from adopting different interpretations.
[7] "Findings" are those with concrete basis under the company's policies and rules.

which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Internal controls over financial reporting	**Implemented**
Authorization of transactions	**Implemented**
Physical safeguards	**Implemented**
IT general and application controls	**Implemented**

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

<table>
<tr><th>Auditors
(Internal and External)</th><th>Financial Analysts</th><th>Investment Banks</th></tr>
<tr><td>▪ The Audit Committee reviews and confirms the independence of the external auditors by obtaining certification from the latter relative to their overall relationship with the Company. The Committee shall disallow any non-audit work that will conflict with the duties of the external auditor or may pose a threat to his independence.
▪ To provide for the independence of the internal auditor, the Internal Audit Head reports directly to the Audit Committee. The group has the authority to have unrestricted access to all functions, records, property and personnel of the Company.</td><td colspan="2">The Company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the Company.

All directors, officers and employees shall act with utmost integrity and shall not engage in unfair dealing practices. The Company prohibits any conflict of interest, unfair competition, breach of trust, insider trading, or any other act inimical to the Company's interest.</td></tr>
</table>

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

1) **Benito Tan Guat – Chairman**
2) **Willy N. Ocier – Vice Chairman**
3) **Frederic C. DyBuncio – President & CEO**
4) **A. Bayani K. Tan – Corporate Secretary/Compliance Officer**

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	**The Company provides its customers with quality care and service in the provision of goods and services under terms and conditions that are fair and satisfactory. All customers are given fair and proper treatment and are provided with complete, correct and actual information.** **The Company has a dedicated customer service group to address the concerns/queries of all current and potential buyers.**	
Supplier/contractor selection practice	**The Company observes propriety and acts with fairness and transparency in dealing with business partners (i.e., contractors, suppliers, creditors and other entities that engage in business with the Company). The Company adheres to its principles of healthy competition, equal opportunity and fair treatment of business partners.** **The Company has a bidding committee to screen, review and approve major contracts with contractors and suppliers to ensure that it is conducted on an arm's length basis.**	
Environmentally friendly value-chain	**The Company ensures the environmental friendliness of its operations, and contributes to the overall sustainability of the physical environment where the Company operates. The Company is committed to the protection of the environment and complies with all applicable environmental laws and regulations.** **The Company has been conducting regular tree-planting activities and has partnered with different organizations in line with its aim to plant One Million Trees in 50 years inside the Tagaytay Highlands Complex, its flagship project. Inside the said Complex, it has also promoted waste segregation activities, incandescent bulbs have been replaced by compact fluorescent ones to reduce power consumption by 60%. It has also put-up its own sewerage treatment plans that converts wastewater to usable water, which is being used for irrigation and maintenance of the Complex' surrounding landscaped areas.**	
Community interaction	**The Company respects relevant laws and/or regulations in the community where the Company operates. Compliance with those laws and regulations is strictly monitored to prevent any damage to the quality of life of society, surrounding communities and the environment.**	

	Policy	Activities
Anti-corruption programmes and procedures	**The Company's whistle blower policy was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any stakeholder may submit an incident report on suspected or actual violations of the Code of Ethics and Discipline or any other applicable law or regulation. Upon receipt of an incident report, management is tasked to conduct an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. Anyone who in good faith reports a violation of the Code or policies or law shall not be retaliated upon or suffer harassment or adverse employment consequence.**	
Safeguarding creditors' rights	**The Company observes propriety and acts with fairness and transparency in dealing with business partners (i.e., contractors, suppliers, creditors and other entities that engage in business with the Company). The Company adheres to its principles of healthy competition, equal opportunity and fair treatment of business partners.** **The Company strictly respects agreements with creditors, manages loans according to lending objectives, ensures timely repayment of loans and interests, thoroughly honors loan conditions as agreed and competently operates the business to assure creditors about the Company's healthy financial standing and loan repayment capabilities.**	

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Belle Corporation serves as a catalyst in nation building and the country's economic progress through its pioneering and world-class leisure property developments and integrated resorts. In line with the Company's mission to develop quality entertainment and leisure facilities that promote growth and environmental sustainability, Tagaytay Highlands has implemented various initiatives such as tree-planting events, recycling, and the use of renewable resources.

Further to such efforts, Belle Corporation's new CSR Program aims to make a difference by partnering with local communities Belle Corporation is present in through the implementation of initiatives focusing on health, education, calamity aid and assistance, livelihood, social services and the protection of the environment.

The long-term vision of the program is to teach members of these local communities realistic, sustainable and easy to replicate activities that will create empowered and productive citizens, uplifting the quality of life while nurturing self-respect and human dignity.

The Company's CSR activities are geared towards providing the following:

- **Health**
- **Education & Environmental Protection**
- **Aid and Assistance**
- **Livelihood**
- **Social Services**

Feeding programs, medical and dental missions, tree-planting activities, granting of scholarships to eligible college students are on-going. Donations to the victims of typhoon and other calamity are extended that will help rebuild lives.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

The Company's Code of Ethics states that:

- **All officers and employees shall be selected, engaged and compensated based on qualification, merit and performance. They shall be treated fairly and accorded respect and dignity. Their individual and collective rights shall not be violated.**
- **The Company shall maintain a safe, productive and conducive workplace and environment and comply with all applicable health, safety and environmental laws. It shall foster harmonious relations among its officers and employees and establish free and honest communication with them.**
- **The Company endeavors to provide career advancement through a clearly defined promotion system based on employees' competencies, major contributions and accomplishments, work attitude and interpersonal relationship. The Company shall also offer its employees continuous learning sessions, seminars and workshops to improve and increase their level of competency, efficiency and general well-being.**

(b) Show data relating to health, safety and welfare of its employees.

As of December 31, 2014, the Company has 134 employees, all of whom are full-time employees and are not subject to Collective Bargaining Agreements, broken down as follows:

Executives	**12**
Senior Managers/Managers/Officers	**34**
Supervisors	**36**
Rank and File	**52**
TOTAL	**134**

All regular employees are enrolled under a group life insurance plan with Generali and Ace Insurance and under a group health plan with Avega and Valucare. The Company also complies with government mandated benefits such as SSS, Philhealth and Pag-ibig for all employees.

Company outings are also provided that foster camaraderie, teamwork and sportsmanship.

(c) State the company's training and development programmes for its employees. Show the data.

The Company considers it officers and employees as important stakeholders of the Company and is committed to their continuous learning and growth. The Company offers its employees continuous learning sessions, seminars and workshops to improve and increase their level of competency, efficiency and general well-being.

In 2014, internal trainings and seminars attended by various employees are as follows:

	NAME OF TRAINING PROGRAMS
1	Work Attitude and Values Enhancement (WAVE)
2	Professional Image Enhancement (PIE)
3	Written Business Communication (WBC)
4	Developing Leadership Skills (DLS)
5	Verbal Communication Skills (VCS)
6	Handling Conflicts in the Workplace (HCW)
7	7 Habits of Highly Effective People
8	Coaching For Performance (CFP)

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Company endeavors to provide career advancement to employees through a clearly defined promotion system based on the employee's competencies, major contributions and accomplishments, work attitude and interpersonal relationships. Performance appraisals are conducted annually, and merit increases resulting from these appraisals are given to the deserving employee subject to the review and approval of management.

Moreover, the Company has a defined benefit pension plan covering all regular and permanent employees. The benefits are based on the employee's projected salaries and number of years in service.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.

The Company's whistle blower policy was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any stakeholder may submit an incident report on suspected or actual violations of the Code of Ethics and Discipline or any other applicable law or regulation. Upon receipt of an incident report, management is tasked to conduct an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. Anyone who in good faith reports a violation of the Code or policies or law shall not be retaliated upon or suffer harassment or adverse employment consequence.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Belleshares Holdings, Inc.	**2,604,740,622**	**24.668%**	**SM Commercial Properties, Inc. (2)**
PCD Nominee Corporation (Non-Filipino) (1)	**2,157,151,138**	**20.429%**	***see footnote***
PCD Nominee Corporation (Filipino) (1)	**1,924,542,268**	**18.226%**	***see footnote***
Sysmart Corporation(2)	**1,629,353,802**	**15.43%**	**Sysmart Corporation**
SM Development Corporation (2)	**695,068,560**	**6.582%**	**SM Development Corporation**
Sybase Equity Investments Corporation	**531,320,577**	**5.032%**	**Sybase Equity Investments Corporation**

(1) PCD Nominee Corporation ("PCDNC") is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares, instead the participants have the power to decide how the PCD shares in Belle are to be voted. The participants of PCD who own more than 5% of the Company's outstanding capital are as follows:

i. Citibank N.A. – 26.9356%

ii. The Hong Kong and Shanghai Banking Corporation Ltd – Client's Account – 21.8954%

iii. <u>BDO Securities Corporation – 5.2063%</u>

(2) Mr. Henry Sy, Sr. is the single largest shareholder of <u>SM Commercial Properties, Inc.,</u> Sysmart Corporation and SM Development Corporation

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
NONE. There are no members of senior management that hold 5% shareholding or more.			

2) Does the Annual Report disclose the following:

Key risks	**Yes**
Corporate objectives	**Yes**
Financial performance indicators	**Yes**
Non-financial performance indicators	**Yes**
Dividend policy	**Yes**
Details of whistle-blowing policy	**<u>Yes</u>**
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	**Yes**
Training and/or continuing education programme attended by each director/commissioner	**<u>Yes</u>**
Number of board of directors/commissioners meetings held during the year	**<u>Yes</u>**
Attendance details of each director/commissioner in respect of meetings held	**<u>Yes</u>**
Details of remuneration of the CEO and each member of the board of directors/commissioners	**Yes**

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

Disclosures not included in the Annual Report can be viewed and downloaded from the PSE or the Company website.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SyCip Gorres Velayo & Co.	**₱1.0 million**	**N/A**

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

The Company fully complies with the reporting and disclosure requirements of all relevant laws as well as regulations issued by the SEC and PSE. Annual reports, financial statements and other disclosures are readily available to the public. These reports may be viewed and downloaded from the PSE or the Company website. The Company website is regularly updated to ensure prompt disclosures.

The Company also conducts briefings and meetings with investors, analysts and the press to keep them updated on the Company's various projects and financial and operational results.

5) Date of release of audited financial report: **March 6, 2015**

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	**Yes**
Financial statements/reports (current and prior years)	**Yes**
Materials provided in briefings to analysts and media	**Yes**
Shareholding structure	**Yes**
Group corporate structure	**Yes**
Downloadable annual report	**Yes**
Notice of AGM and/or EGM	**Yes**
Company's constitution (company's by-laws, memorandum and articles of association)	**Yes**

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT

RPT	Relationship	Nature	Value (In Thousands)
ADVANCES TO RELATED PARTIES			
APC Group, Inc.	**Associate**	**Advances to associate**	**3,754,630 (mostly provided; net balance amounts to 79,452)**
Belle Bay Plaza Corporation	**Subsidiary**	**Advances to subsidiary**	**1,498,085 (fully provided with allowance)**
Others	**Subsidiary and associates**	**Advances**	**229,772 (with allowance amounting to 76,449)**
Tagaytay Highlands International Golf Club, Inc.	**With common set of directors**	**Advances to other related parties**	**12,774 (with allowance amounting to 1,087)**
The Country Club at Tagaytay Highlands, Inc.	**With common set of directors**	**Advances to other related parties**	**2,871 (with allowance amounting to 1,737)**
PremiumLeisure and Amusement, Inc.	**Subsidiary**	**Advances to other related parties**	**19,579 (not impaired)**
Others	**With common set of directors**	**Advances to other related parties**	**18,775 (with allowance amounting to 7,494)**
ADVANCES FROM RELATED PARTIES			
SLW Development Corporation	**Subsidiary**	**Advances from subsidiary**	**902**

RPT	Relationship	Nature	Value (In Thousands)
Premium Leisure Corporation	Associate	Advances from associate	3,190
Metropolitan Leisure and Tourism Corporation	Subsidiary	Advances from subsidiary	83,973
Others	Subsidiary and associate	Advances from related parties	61,505
Sinophil Leisure and Resorts Corp	Associate, indirect	Advances from other related parties	16,058
Others	With common set of directors	Advances from other related parties	2,425
OTHER TRANSACTIONS			
BDO	Associate	Cash equivalent	2,429,914
		Interest income on cash equivalent	6,666
		Interest expense on long term debt	8,037
SM Land, Inc.	With common stockholders	Operating Lease	10,482
SM Arena Complex Corporation	With common stockholders	Sponsorship agreement	18,021
PremiumLeisure and Amusement, Inc.	Subsidiary	Project management fee	7,500
SM Investments Corporation	Stockholder	Interest income on HTM investments	12,944
Directors and officers	Key management personnel	Receivables	1,138 (with allowance amounting to 688)
		Short-term employee benefits	51,313
		Post-employment benefits	3,964

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Company practices full disclosure of details of related-party transactions. The nature, extent and all other material details of transactions with related parties are disclosed in the Company's financial statements and quarterly and annual reports to the SEC and PSE. The financial statements and reports are also available in the website and readily accessible to the public.

Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Audit Committee. This is to ensure that the Company conducts all related party transactions on an arm's length basis.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	**Majority of the stock issued and outstanding**

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	**Vote of stockholders**
Description	**Corporate acts are approved by the vote of stockholders owning the majority of the stock issued and outstanding of the Company.**

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
Voting Right ▪ **Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code of the Philippines.** ▪ **Cumulative voting shall be used in the election of directors.**	
Power of Inspection ▪ **The Company shall allow all stockholders to inspect books and records of the Company including minutes of Board meetings and stock registries in accordance with the Corporation Code, and during normal business hours.** ▪ **Annual reports, including financial statements, shall be provided to stockholders, without cost or restrictions.**	
Right to Information ▪ **The Board shall ensure that all material information about the Company which could adversely affect its viability or the interests of the shareholders shall be publicly and timely disclosed through established procedures of the stock exchange and SEC.** ▪ **Upon request, the Company shall provide the stockholders with periodic reports and information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers and the aggregate compensation of directors and officers.**	

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
Right to Dividends ▪ **Subject to the discretion of the Board, all stockholders shall have the right to receive dividends.**	
Appraisal Right ▪ **The stockholders shall have appraisal right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code, under any of the following circumstances:** a. **In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;** b. **In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code.** c. **In case of merger or consolidation.**	

Dividends

Declaration Date	Record Date	Payment Date
April 28, 2014	**May 13, 2014**	**June 02, 2014**

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Notice of the Annual Stockholders' Meeting is given to all stockholders at least 21 business days before the meeting to provide stockholders with enough time to examine the information. The Notice encloses essential and adequate facts on all items on the agenda for consideration and approval of the stockholders.	• **Notice of the Annual Stockholders' Meeting** • **SEC Form D20-IS**

Measures Adopted	Communication Procedure
As provided for in the Company's Revised Manual on Corporate Governance, minority stockholders have the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.	
To facilitate stockholders who cannot attend the meeting, they are encouraged to fill out, date, sign and send a proxy. For corporate stockholders, the proxies should be accompanied by a Secretary's Certificate on the appointment of the corporation's authorized signatory.	• **Notice of the Annual Stockholders' Meeting** • **SEC Form D20-IS**
To ensure that all stockholders' concerns are properly addressed, the Chairman of the Board, Board Directors, the President, Board Committee Chairmen and Members, Senior Management, Corporate Secretary and the Independent Auditors are always present during the Annual Stockholders' Meeting. The meeting agenda provides an opportunity for stockholders to freely express their views and raise their concerns at the meeting.	• **Notice of the Annual Stockholders' Meeting** • **SEC Form D20-IS**

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
    a. Amendments to the company's constitution
    b. Authorization of additional shares
    c. Transfer of all or substantially all assets, which in effect results in the sale of the company

Corporate acts such as amendments to the Company's constitution, authorization of additional shares, and the transfer of all or substantially all assets, which in effect results in the sale of the Company, are approved by the vote of stockholders owning the majority of the stock issued and outstanding of the Company. The agenda enclosed in the Notice of Annual Stockholders' Meeting would include such corporate acts for the consideration and approval of the stockholders.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? **YES**

    a. Date of sending out notices: **March 26, 2014**

    b. Date of the Annual/Special Stockholders' Meeting: **April 28, 2014**

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

To ensure that all stockholders' concerns are properly addressed, the Chairman of the Board, Board Directors, the President, Board Committee Chairmen and Members, Senior Management, Corporate Secretary and the Independent Auditors are always present during the Annual Stockholders' Meeting. The meeting agenda

provides an opportunity for stockholders to freely express their views and raise their concerns at the meeting.

There were no questions raised by the stockholders during the Annual Stockholders' Meeting last April 28, 2014.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of the minutes of the previous meeting of stockholders	**100%**	**–**	**–**
Approval of 2013 operations and results	**100%**	**–**	**–**
Ratification of all acts of the Board of Directors and officers	**100%**	**–**	**–**
Election of directors	**100%**	**–**	**–**
Appointment of SGV & Co. as external auditors	**100%**	**–**	**–**

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:
   April 28, 2014

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
NONE. There were no modifications made in the Annual Stockholders' Meeting regulations during the recent year.	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	**BOARD MEMBERS:** **1. Benito Tan Guat** **2. Willy N. Ocier** **3. Elizabeth Anne C. Uychaco** **4. Frederic C. DyBuncio** **5. Emilio S. De Quiros, Jr.** **6. Gregorio U. Kilayko**	**4/28/2014**	**Stockholders may vote at all meetings either in person or by proxy duly given in writing in favor of any person of their confidence and each**	**0.0029%**	**70.6472%**	**70.6500%**

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
	7. Jacinto C. Ng, Jr. 8. Jose T. Sio 9. Cesar E.A. Virata 10. Virginia A. Yap OFFICERS: 1. Manuel A. Gana 2. Armin B. Raquel-Santos 3. Michelle T. Hernandez 4. Zenia K. Sy 5. Nancy O. Hui 6. Rogelio I. Robang 7. Rudy P. Aninipot 8. A. Bayani K. Tan 9. Arthur A. Sy		**stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the corporation; provided, however, that in the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner provided for by law.**			

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

YES. Under the Company's Amended By-Laws, two inspectors shall be appointed by the Board of Directors before or at each meeting of the stockholders of the corporation, at which an election of directors shall take place. The inspectors shall receive and take charge of all proxies and ballots and shall decide all questions touching upon the qualifications of voters, the validity of proxies, and the acceptance and rejection of votes.

For purposes of the Annual Stockholders' Meeting on April 28, 2014, the Corporate Secretary and/or his representative together with the Audit Partner of the External Auditor and/or his representative have been designated as inspectors to oversee the counting of votes.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

YES. Each stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the corporation. Voting rights for each class of share are as follows:

Share Class	Voting Rights
Common	**Full voting rights**
Preferred	**Non-voting**

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	**Proxies of any stockholder entitled to vote at the meeting would be recognized, provided that the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney, and provided further that the proxy is filed with the Secretary of Corporation at least four (4) days before the meeting.**
Notary	**Notarization of proxy forms is not required to encourage stockholders to apply their right to vote through the proxy forms.**
Submission of Proxy	**All proxies should be received by the Corporation at least four (4) days before the meeting.**
Several Proxies	**If the stockholder intends to designate several proxies, the number of shares of stock to be represented by each proxy shall be specifically indicated in the proxy form. If some of the proxy forms do not indicate the number of shares, the total shareholding of the stockholder shall be tallied and the balance thereof, if any, shall be allotted to the holder of the proxy form without the number of shares. If all are in blank, the stocks shall be distributed equally among the proxies.**
Validity of Proxy	**Proxies of any stockholder entitled to vote at the meeting would be recognized, provided that the proxy shall have been appointed in writing by the stockholder himself or by his duly authorized attorney, and provided further that the proxy is filed with the Secretary of Corporation at least four (4) days before the meeting.** **Two inspectors shall be appointed by the Board of Directors before or at each meeting of the stockholders of the corporation, at which an election of directors shall take place. The inspectors shall receive and take charge of all proxies and ballots and shall decide all questions touching upon the qualifications of voters, the validity of proxies, and the acceptance and rejection of votes.**
Proxies executed abroad	
Invalidated Proxy	
Validation of Proxy	
Violation of Proxy	

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Notice of time and place of regular or special meetings of stockholders shall be given by mailing or delivering written or printed notice of the same at least ten (10) days prior to the meeting, with postage and/or delivery charges prepaid, to each stockholder of record of the corporation entitled to vote at such meeting and addressed to the stockholder's last known post office address appearing on the corporate books of the corporation.	

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	**2,300**
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	**March 31, 2014**
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	**April 10, 2014**
State whether CD format or hard copies were distributed	**Copies in CD format were sent**
If yes, indicate whether requesting stockholders were provided hard copies	**Yes upon request**

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	**Yes**
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	**Yes**
The auditors to be appointed or re-appointed.	**Yes**
An explanation of the dividend policy, if any dividend is to be declared.	**Yes**
The amount payable for final dividends.	**Yes**
Documents required for proxy vote.	**Yes**

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Voting Right ▪ **Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code of the Philippines.** ▪ **Cumulative voting shall be used in the election of directors.** ▪ **A director shall not be removed without cause if it will deny minority shareholders representation in the Board.**	▪ **During the Annual Stockholders' Meeting held last April 28, 2014, members of the Company's Board of Directors were nominated and elected to serve for the year 2014-2015 and until their successors are duly elected and qualified.**
Power of Inspection ▪ **The Company shall allow all stockholders to**	▪ **The Company fully complies with the reporting and disclosure requirements of all**

Policies	Implementation
inspect books and records of the Company including minutes of Board meetings and stock registries in accordance with the Corporation Code, and during normal business hours. ▪ Annual reports, including financial statements, shall be provided to stockholders, without cost or restrictions.	relevant laws as well as regulations issued by the SEC and the PSE. ▪ Annual reports, financial statements and other disclosures are readily available to the public. These reports may be viewed and downloaded from the PSE or the Company website. The Company website is regularly updated to ensure prompt disclosures. ▪ The Company undertakes to provide printed copies of the Information Statement and Annual Report upon written request of any stockholder entitled to vote at the Annual Stockholders' Meeting without charge.
<u>Right to Information</u> ▪ The Board shall ensure that all material information about the Company which could adversely affect its viability or the interests of the shareholders shall be publicly and timely disclosed through established procedures of the stock exchange and SEC. ▪ Upon request, the Company shall provide the stockholders with periodic reports and information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers and the aggregate compensation of directors and officers. ▪ The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes. ▪ The minority shareholders shall have access to all information relating matters for which the management is accountable and to those relating to matters for which the management should include in such information. If not included the minority shareholders can propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".	▪ The Company fully complies with the reporting and disclosure requirements of all relevant laws as well as regulations issued by the SEC and the PSE. ▪ Annual reports, financial statements and other disclosures are readily available to the public. These reports may be viewed and downloaded from the PSE or the Company website. The Company website is regularly updated to ensure prompt disclosures. ▪ Information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers and the aggregate compensation of directors and officers are disclosed in the Company's SEC Form 17-A.
<u>Right to Dividends</u> ▪ Subject to the discretion of the Board, all stockholders shall have the right to receive dividends.	▪ The Company's By-Laws provide that dividends upon the capital stock of the corporation may be declared by the Board of Directors in the manner and form provided by law. ▪ <u>At its meeting on April 28, 2014, the Company's Board of Directors approved the declaration of cash dividends for all</u>

Policies	Implementation
	<u>shareholders on record as of May 13, 2014, with the payment date of June 02, 2014.</u>
<u>Appraisal Right</u> ▪ **The stockholders shall have appraisal right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code, under any of the following circumstances:** **a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;** **b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code.** **c. In case of merger or consolidation.**	▪ **The matters voted upon in the Annual Stockholders' Meeting held last <u>April 28, 2014</u> are not among the instances whereby the right of appraisal, defined to be the right of any stockholder to dissent and demand payment of the fair value of his shares, may be exercised.**

(b) Do minority stockholders have a right to nominate candidates for board of directors?

YES. Minority stockholders have a right to nominate candidates for the board of directors as provided for in the Revised Manual on Corporate Governance.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

Financial statements and results of operations are disclosed quarterly. Before submission to the PSE and SEC, these reports are presented to the Audit Committee and the Board of Directors for their review and approval. The Corporate Information Officer approves all disclosures that will be made available to the public.

Annual reports, financial statements and other disclosures may be viewed and downloaded from the PSE or the Company website. The Company website is regularly updated to ensure prompt disclosures.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	▪ **To assist investors in making investment decisions with regards to their shareholdings in the Company**

	Details
	▪ To guide analysts in formulating their forecasts and recommendations with regard to the valuation and prospects of the Company ▪ To provide the regulators, the media and the general public with the most current information about the Company, which will have a material impact on the company's overall growth and profitability ▪ To handle enquiries and manage relations with investors, analysts, shareholders and the general public
(2) Principles	▪ Transparency and accountability to all existing and potential investors ▪ Fairness and level playing field for all stakeholders
(3) Modes of Communications	▪ Annual reports, financial statements and other disclosures may be viewed and downloaded from the PSE or the Company website. ▪ The Company conducts briefings and meetings with investors, analysts and the press to keep them updated on the Company's various projects and financial and operational results.
(4) Investors Relations Officer	**Mr. Manuel A. Gana** **Executive Vice President and Chief Financial Officer** **Email: manuel.gana@bellecorp.com** **Telephone No.: 662-8807**

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

Before any extraordinary transaction is finalized, the Company performs due diligence, benchmarking and cost-benefit analysis procedures to ensure that the transaction is in line with the long-term sustainability of the business and within the core competency of the Group. In addition, Board, stockholder and regulatory approvals are obtained first before such transaction is finalized.

The independent party to be appointed may vary depending on the type of the transaction (e.g., investment banks, external auditors, third party appraisers and legal and tax consultants).

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Annual 'One Tree at a Time' tree planting activity (in partnership with Highlands Prime, Inc. and the ASEAN Centre for Biodiversity)	**Tagaytay Highlands**
Financial assistance	**Philippine Leprosy Mission, Inc.**
Medical mission	**Residents of Brgy. Calabuso, Tagaytay**
Donation	**World Wildlife Fund – Philippines**
Donation	**Organization/institution for the preservation of cultural heritage**

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	**An independent party oversees the appraisal process which is conducted annually during one of the meetings of the Board of Directors. Appraisal forms are distributed to the directors to evaluate the performance of (1) individual directors, (2) the board as a whole, (3) board committees, and (4) the CEO/President. The independent party then collates and summarizes the appraisal forms and a summary report is presented to the Board.**	**1. Independence 2. Leadership 3. Expertise 4. Corporate Governance**
Board Committees		**1. Independence 2. Leadership 3. Expertise 4. Corporate Governance**
Individual Directors		**1. Independence 2. Leadership 3. Expertise 4. Corporate Governance**
CEO/President		**1. Leadership 2. Integrity 3. Diligence**

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
Violation of any of the provisions in the Revised Manual on Corporate Governance	**In case of <u>first violation</u>, the subject person shall be warned, reprimanded or suspended depending on the severity of the violation. Any first violation that results in any notable financial loss for the Company shall at least be reprimanded or suspended.**
	A <u>second violation</u> may require suspension depending on the gravity of the violation.
	For the <u>third violation</u>, the maximum penalty of removal from office may be imposed. When removed, the subject directors, officers or staff of the Company or its subsidiaries and affiliates, shall not be granted additional benefits except those required by law.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of ______________________ on_______________, 20___.

SIGNATURES

WILLY N. OCIER
Vice Chairman

FREDERIC C. DYBUNCIO
President and Chief Executive Officer

CESAR E.A. VIRATA
Independent Director

A. BAYANI K. TAN
Corporate Secretary / Compliance Officer

SUBSCRIBED AND SWORN to before me this ________ day of MAR 25 2015 20__ , affiant(s) exhibiting to me their _________________, as follows:

NAME/NO.	DATE OF ISSUE		PLACE OF ISSUE	
WILLY N, OCIER	CTC No 20972240	02.05.2015	Pasig	TIN 101-934-954
FREDERIC C. DYBUNCIO	CTC No. 34260621	07.09.2014	Pasig	TIN 103-198-854
CESAR E.A. VIRATA	Passport No. EB8339839	06.07.2013	Manila	TIN 167-999-197
A. BAYANI K. TAN	CTC No. 1256720	01.08.2015	Manila	TIN 102-054-041.

NOTARY PUBLIC

Doc No. 369
Page No. 75
Book No. I
Series of 2015

CARLA MAE E. BADI
Notary Public for Pasig City
Appointment No. 309 (2014-2015)
Commission Expires on December 31, 2015
2704 East Tower, PSE Centre, Exchange Road
Ortigas Center, 1605 Pasig City
PTR No. 0424153 / 01.26.15 / Pasig City
IBP No. 0993640 / 01.26.15 / RSM Chapter
Roll of Attorneys No. 63373

PART V - EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

a. Exhibits

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

Subsidiaries of the Registrant

The other exhibits are either not applicable to the Registrant or require no answer.

b. Reports on SEC Form 17-C

DOCUMENT	DATE FILED	ITEM NO.	MATTER
SEC Form 17-C dated 11 March 2014	March 11, 2014	Item 9	Schedule of Annual Stockholders' Meeting and Record Date
SEC Form 17-C dated 29 April 2014	May 2, 2014	Item 9	Board Approval to amend address of principal office
SEC Form 17-C dated 29 April 2014	May 2, 2014	Items 4 and 9	Election of Members of the Board of Directors and Organization of Committees
SEC Form 17-C dated 29 April 2014	May 2, 2014	Item 9	Declaration of cash dividends
SEC Form 17-C dated 30 September 2014	October 1, 2014	Item 9	Conclusion of road show in connection with the planned sale of up to 3,263,714,000 Common Shares of Premium Leisure Corp. held by Belle Corp and its subsidiaries/affiliates

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation 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 Pasay on ____________________.

By:

Benito Tan Guat	Frederic C. DyBuncio
Chairman of the Board	President and Chief Executive Officer
Manuel A. Gana	A. Bayani K. Tan
Executive Vice President and Chief Financial Officer	Corporate Secretary

SUBSCRIBED AND SWORN to before me this __th day of ______ 2015 affiants exhibiting to me their Community Tax Certificates, as follows:

NAME	COMMUNITY TAX CERTIFICATE NO./TIN	DATE OF ISSUE	PLACE OF ISSUE

SUBSCRIBED AND SWORN to before me this __th day of MAR 2 4 2015 2015 affiants exhibiting to me their Community Tax Certificates, as follows:

NAME	COMMUNITY TAX CERTIFICATE NO./TIN	DATE OF ISSUE	PLACE OF ISSUE
Benito Tan Guat	Passport#EC1327276 TIN# 101-935-043	June 05, 2014	DFA Manila
Frederic C. DyBuncio	Passport#EB0923285 TIN# 103-432-824	September 10, 2010	PCG San Francisco
Manuel A. Gana	CTC #13573681 TIN# 906-105-409	January 13, 2015	Manila
A. Bayani K. Tan	Passport#XX0650593 TIN# 102-054-041	June 6, 2012	Manila

MICHELLE M. ANTONIO
Notary Public for and in Pasay City
Commission No. 14-01; 01-07-2014 until 12-31-2015
Roll No. 55545
PTR No. 4192463/01-05-2015/Pasay
IBP LRN 011369/01-09-2013/PPLM
15th Floor Two E-Com Center, J.W. Diokno Boulevard
cor. Harbor Drive, Mall of Asia Complex, Pasay City

Doc. No. 45;
Page No. 10;
Book No. 38;
Series of 20~~0~~15.

AUTHORIZATION

WHEREAS, the undersigned currently serves as the Chairman of the Board of Directors of **Belle Corporation** ("Belle"), a public company whose shares are registered with the Securities and Exchange Commission (SEC) and are listed on the Philippine Stock Exchange (PSE);

WHEREAS, as such Chairman of the Board of Directors of Belle, he is required under the prevailing rules of the SEC, issued pursuant to the Securities Regulation Code and other related laws, to be co-signatory to certain reports which are publicly-disclosed, including, but not limited to, (i) the Statement of Management Responsibility for the Audited Financial Statements, and (ii) the Annual Report on SEC Form 17-A;

WHEREAS, currently, however, the undersigned has been taken ill and is physically incapable of signing any document with his full signature;

WHEREAS, inasmuch as existing rules of the SEC and the PSE require the signature of the Chairman of the Board of Directors on certain documents, the undersigned is constrained to authorize another person to so sign on his behalf;

WHEREFORE, premises considered, the undersigned hereby authorizes either of the Co-Vice Chairpersons of Belle, **Mr. Willy N. Ocier** or **Ms. Elizabeth Anne C. Uychaco**, to sign, for an on my behalf, all reports of Belle which are required to be signed by the Chairman of the Board of Directors pursuant to the rules of the SEC and the PSE.

IN ATTESTATION OF THE ABOVE, this Authorization was signed this 20th day of March 2015 at San Juan, Metro Manila.

BENITO TAN GUAT

WITNESSED BY:

Nancy O. Hui	Marian Pena
(Name)	(Name)
(Address)	(Address) 32 Wilson St. Greenhills M.M
623 A-Calderon St. BGY. Addition Hills Mandaluyong City	

At the City of ________, on this MAR 2 4 2015 day of March 2015, appeared Mr. Benito Tan Guat who signed the above Authorization by affixing his thumbmark in the presence of the undersigned Notary Public and the two witnesses named above. Mr. Benito Tan Guat's Passport No. EC1327276 issued on June 5, 2014 at DFA Manila was likewise exhibited as evidence of his identity.

Doc. No. 42;
Page No. 10;
Book No. 38;
Series of 2015.

MICHELLE M. ANTONIO
Notary Public for and in Pasay City
Commission No. 14-01; 01-07-2014 until 12-31-2015
Roll No. 55545
PTR No. 4192463/01-05-2015/Pasay
IBP LRN 011369/01-09-2013/PPLM
15th Floor Two E-Com Center, J.W. Diokno Boulevard
cor. Harbor Drive, Mall of Asia Complex, Pasay City

BELLE CORPORATION

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

BELLE
CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila

The management of Belle Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

BENITO TAN GUAT
Chairman of the Board

FREDERIC C. DYBUNCIO
President and Chief Executive Officer

MANUEL A. GANA
Executive Vice President
and Chief Financial Officer

Signed this 6th day of March, 2015

5th Floor Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City • Tel: 662-8888 • Fax: 662-8890

SUBSCRIBED AND SWORN to before me this ____th day of MAR 1 1 2015 2015 affiants exhibiting to me their CTC/ TIN/ Passports, as follows:

NAME	CTC/TIN/Passport No.	DATE OF ISSUE	PLACE OF ISSUE
Benito Tan Guat	Passport#EC1327276 TIN#101-935-043	June 05, 2014	DFA Manila
Frederic C. DyBuncio	Passport#EB0923285 TIN#103-432-824	September 10, 2010	PCG San Francisco
Manuel A. Gana	Passport#EB4684110 TIN#906-105-049	February 10, 2014	DFA Manila

Doc. No. 92;
Page No. 20;
Book No. 36;
Series of 2015

[illegible] JR.
Notary Public for and in Pasay City
Commission No. 14-02: 01-07-2014 until 12-31-2015
Roll No. 44019
PTR No. 4192462/01-05-2015/Pasay
IBP LRN 03414/01-20-2004/RSM
15th Floor Two E-Com Center, J.W. Diokno Boulevard
cor. Harbor Drive, Mall of Asia Complex, Pasay City

BELLE CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila

The management of Belle Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

BENITO TAN GUAT
Chairman of the Board

FREDERIC C. DYBUNCIO
President and Chief Executive Officer

MANUEL A. GANA
Executive Vice President
and Chief Financial Officer

Signed this 6th day of March, 2015

SUBSCRIBED AND SWORN to before me this ____th day of MAR 1 1 2015 2015 affiants exhibiting to me their CTC/ TIN/ Passports, as follows:

NAME	CTC/TIN/Passport No.	DATE OF ISSUE	PLACE OF ISSUE
Benito Tan Guat	Passport#EC1327276 TIN#101-935-043	June 05, 2014	DFA Manila
Frederic C. DyBuncio	Passport#EB0923285 TIN#103-432-824	September 10, 2010	PCG San Francisco
Manuel A. Gana	Passport#EB4684110 TIN#906-105-049	February 10, 2014	DFA Manila

Doc. No. 92;
Page No. 20;
Book No. 86;
Series of 2015

[illegible]
Notary Public for and in Pasay City
ommission No. 1[illegible]-02; 01-07-2014 until 12-31-2015
Roll No. 44019
PTR No. 4192462/01-05-2015/Pasay
IBP LRN 03414/01-20-2004/RSM
5th Floor Two E-Com Center, J.W. Diokno Boulevard
cor. Harbor Drive, Mall of Asia Complex, Pasay City

BELLE
CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila

The management of Belle Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

BENITO TAN GUAT
Chairman of the Board

FREDERIC C. DYBUNCIO
President and Chief Executive Officer

MANUEL A. GANA
Executive Vice President
and Chief Financial Officer

Signed this 6th day of March, 2015

5th Floor Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City • Tel: 662-8888 • Fax: 662-8890

SUBSCRIBED AND SWORN to before me this ____th day of MAR 1 1 2015 2015 affiants exhibiting to me their CTC/ TIN/ Passports, as follows:

NAME	CTC/TIN/Passport No.	DATE OF ISSUE	PLACE OF ISSUE
Benito Tan Guat	Passport#EC1327276 TIN#101-935-043	June 05, 2014	DFA Manila
Frederic C. DyBuncio	Passport#EB0923285 TIN#103-432-824	September 10, 2010	PCG San Francisco
Manuel A. Gana	Passport#EB4684110 TIN#906-105-049	February 10, 2014	DFA Manila

Doc. No. 92;
Page No. 20;
Book No. 36;
Series of 2015

MIRNA R. OREDA JR.
Notary Public for and in Pasay City
Commission No. 14-02; 01-07-2014 until 12-31-2015
Roll No. 44019
PTR No. 4192462/01-05-2015/Pasay
IBP LRN 03414/01-28-2004/RSM
15th Floor Two E-Com Center, J.W. Diokno Boulevard
cor. Harbor Drive, Mall of Asia Complex, Pasay City

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

5 2 4 1 2

Company Name

B E L L E   C O R P O R A T I O N   A N D   S U B S I D I A R I E S

Principal Office (No./Street/Barangay/City/Town/Province)

5 t h   F l o o r ,   T o w e r   A ,   T w o   E - C o m   C e n t e r ,   P a l m   C o a s t   A v e n u e ,   M a l l   o f   A s i a   C o m p l e x ,   C B P - 1 A ,   P a s a y   C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	662-8888	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
1,855	4/27	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Manuel A. Gana	manuel.gana@bellecorp.com	662-8888	0917-569-1548

Contact Person's Address

5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue
Mall of Asia Complex, CBP-1A Pasay City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SGVFS011270

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Belle Corporation
5th Floor, Tower A
Two E-Com Center, Palm Coast Avenue
Mall of Asia Complex, CBP-1A, Pasay City

We have audited the accompanying consolidated financial statements of Belle Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Belle Corporation and Subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel

Marydith C. Miguel
Partner
CPA Certificate No. 65556
SEC Accreditation No. 0087-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 102-092-270
BIR Accreditation No. 08-001998-55-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751303, January 5, 2015, Makati City

March 6, 2015

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 9, 40 and 44)	**₱6,326,509**	₱1,170,396
Investments held for trading (Notes 10, 21, 36 and 44)	**262,815**	–
Receivables - net (Notes 11, 40 and 44)	**1,474,911**	1,222,374
Current portion of:		
Finance lease receivable (Notes 38 and 44)	**722,745**	942,911
Advances to associates – net (Notes 15, 40 and 44)	**–**	176,723
Real estate for sale - at cost (Note 12)	**935,530**	654,967
Club shares - at cost (Note 13)	**2,700,551**	2,810,221
Other current assets (Notes 14 and 37)	**2,193,830**	679,316
Total Current Assets	**14,616,891**	7,656,908
Noncurrent Assets		
Real estate for sale - at cost (Notes 12 and 25)	**3,018,515**	2,937,309
Finance lease receivable - net of current portion (Notes 38 and 44)	**8,866,747**	8,809,301
Investments in and advances to associates - net (Notes 15, 40 and 44)	**93,909**	801,293
Available-for-sale financial assets (Notes 17 and 44)	**1,887,379**	1,773,793
Investment properties (Notes 18, 26 and 38)	**4,432,277**	2,958,707
Property and equipment (Note 19)	**576,817**	176,014
Intangible asset (Note 20)	**5,249,552**	5,261,186
Goodwill (Notes 21 and 22)	**1,828,578**	–
Pension asset (Note 39)	**1,103**	12,515
Deferred tax assets (Note 37)	**41,234**	–
Held-to-maturity investments (Notes 16, 40 and 44)	**–**	750,000
Other noncurrent assets (Note 23)	**778,084**	416,822
Total Noncurrent Assets	**26,774,195**	23,896,940
TOTAL ASSETS	**₱41,391,086**	₱31,553,848
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities (Notes 12, 25, 38, 40 and 44)	**₱2,930,340**	₱2,469,852
Loans payable (Notes 24 and 44)	**3,000,017**	200,466
Assignment of receivables with recourse (Notes 11, 40 and 44)	**28,026**	89,549
Income tax payable	**56,546**	–
Current portion of:		
Estimated liability on construction costs (Note 18)	**1,035,028**	–
Nontrade liability (Notes 27 and 44)	**274,562**	–
Obligations under finance lease (Note 38)	**16,356**	–
Long-term debt (Notes 26, 40 and 44)	**12,500**	1,034,210
Installment payable (Notes 38 and 44)	**928**	–
Total Current Liabilities	**7,354,303**	3,794,077

(Forward)

	December 31	
	2014	2013
Noncurrent Liabilities		
Noncurrent portion of:		
Estimated liability on construction costs (Note 18)	**₱–**	₱2,247,567
Nontrade liability (Notes 27 and 44)	**3,966,694**	4,000,000
Long-term debt (Notes 26, 40 and 44)	**1,737,500**	468,590
Obligations under finance lease (Note 38)	**76,494**	–
Installment payable (Notes 38 and 44)	**198**	–
Pension liability (Note 39)	**18,787**	–
Deferred tax liabilities - net (Note 37)	**806,229**	836,530
Total Noncurrent Liabilities	**6,605,902**	7,552,687
TOTAL LIABILITIES	**13,960,205**	11,346,764
Equity		
Attributable to equity holders of the parent:		
Preferred stock (Note 28)	–	1,000,000
Common stock (Note 28)	**10,559,383**	10,559,383
Additional paid-in capital	**5,503,731**	5,503,731
Equity share in cost of Parent Company shares held by associates (Note 15)	**(2,501)**	(2,501)
Cost of Parent Company common and preferred shares held by subsidiaries (Note 3)	**(1,604,824)**	(2,257,631)
Unrealized gain (loss) on available-for-sale financial assets - net (Note 17)	**87,046**	(190,785)
Retained earnings (Note 28)	**6,530,078**	4,533,666
Other reserves (Notes 2, 3 and 39)	**3,272,665**	21,386
Excess of cost over net asset value of an investment (Note 21)	**252,040**	252,040
Total Equity Attributable to Equity Holders of the Parent	**24,597,618**	19,419,289
Non-controlling interests (Note 3)	**2,833,263**	787,795
Total Equity	**27,430,881**	20,207,084
TOTAL LIABILITIES AND EQUITY	**₱41,391,086**	₱31,553,848

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Per Share Amounts)

	Years Ended December 31		
	2014	2013	2012
REVENUE			
Interest income on finance lease (Note 38)	**₱1,409,173**	₱1,177,570	₱–
Equipment rental and instant scratch ticket sales (Notes 38 and 41)	**949,721**	–	–
Sale of real estate and club shares	**300,252**	175,280	323,563
Lease income (Note 38)	**188,757**	157,136	18,427
Revenue from property management	**115,356**	105,033	95,272
Gaming revenue share (Note 29)	**38,809**	–	–
Termination income (Note 41)	**–**	949,608	–
Others (Note 30)	**161,724**	59,620	57,171
	3,163,792	2,624,247	494,433
COSTS AND EXPENSES			
Cost of lottery services (Note 31)	**(306,021)**	–	–
Cost of real estate and club shares sold (Note 32)	**(125,856)**	(115,389)	(117,152)
Cost of services for property management (Note 33)	**(88,052)**	(60,269)	(72,943)
Cost of gaming operations (Note 41)	**(7,075)**	–	–
General and administrative expenses (Note 34)	**(754,510)**	(642,642)	(275,450)
	(1,281,514)	(818,300)	(465,545)
OTHER INCOME (EXPENSES)			
Fair value change due to cancellation of Swap Agreement (Note 41)	**1,219,133**	–	–
Gain on significant acquisitions - net (Note 21)	**879,348**	–	–
Gain (loss) on finance lease (Notes 18 and 38)	**(812,842)**	2,324,434	–
Accretion of nontrade liability (Note 27)	**(533,348)**	–	–
Equity in net earnings of associates (Note 15)	**117,190**	119,940	288,730
Interest expense (Note 35)	**(98,723)**	(103,852)	(128,151)
Interest income (Note 35)	**29,979**	56,112	116,453
Net foreign exchange loss	**(7,619)**	(86,167)	(36,718)
Gain on share swap (Note 15)	**–**	772,247	–
Gain on liquidating dividend (Note 15)	**–**	–	539,671
Other income (charges) (Note 36)	**14,747**	81,052	(95,064)
	807,865	3,163,766	684,921
INCOME BEFORE INCOME TAX	**2,690,143**	4,969,713	713,809
PROVISION FOR INCOME TAX (Note 37)			
Current	**179,943**	305,577	79,154
Deferred	**(46,474)**	1,027,952	78,992
	133,469	1,333,529	158,146
NET INCOME	**2,556,674**	3,636,184	555,663

(Forward)

	Years Ended December 31		
	2014	2013	2012
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) on available-for-sale financial assets - net (Note 17)	**₱277,831**	(₱205,653)	₱6,283
Fair value change due to recovery of previous impairment (Note 41)	**1,559,847**	–	–
Recycling of fair value change due to cancellation of Swap Agreement (Notes 17 and 41)	**(1,559,847)**	–	–
Share in unrealized gain (loss) in available-for-sale financial assets of associates (Note 15)	**1,573**	(8,560)	46,362
	279,404	(214,213)	52,645
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) of defined benefit asset (liability) - net (Note 39)	**(23,178)**	5,880	(3,713)
Income tax effect	**6,954**	(1,764)	–
	(16,224)	4,116	(3,713)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**263,180**	(210,097)	48,932
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱2,819,854**	₱3,426,087	₱604,595
Net income attributable to:			
Equity holders of the parent (Note 43)	**₱2,202,253**	₱3,639,853	₱555,720
Non-controlling interests	**354,421**	(3,669)	(57)
	₱2,556,674	₱3,636,184	₱555,663
Total comprehensive income attributable to:			
Equity holders of the parent	**₱2,465,433**	₱3,429,756	₱604,652
Non-controlling interests	**354,421**	(3,669)	(57)
	₱2,819,854	₱3,426,087	₱604,595
Basic/Diluted Earnings Per Share (Note 43)	**₱0.216**	₱0.355	₱0.055

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent													
							Other Reserves							
	Preferred Stock (Notes 3 and 28)	Common Stock (Note 28)	Additional Paid-in Capital	Equity Share in Cost of Parent Company Shares Held by Associates (Notes 15 and 28)	Cost of Parent Company Common and Preferred Shares Held by Subsidiaries (Notes 3 and 28)	Unrealized Gain on Available-for-Sale Financial Assets - net (Note 17)	Share in Unrealized Gain (Loss) on Available-for-Sale Financial Assets of Associates (Note 15)	Remeasurement of Pension Income (Expense) (Note 39)	Transactions with Non-Controlling Interests	Excess of Cost over Net Asset Value of an Investment (Note 21)	Retained Earnings (Deficit) (Note 28)	Total	Non-controlling Interests	Total Equity
Balance at December 31, 2013	**₱1,000,000**	**₱10,559,383**	**₱5,503,731**	**(₱2,501)**	**(₱2,257,631)**	**(₱190,785)**	**₱12,488**	**₱8,898**	**₱–**	**₱252,040**	**₱4,533,666**	**₱19,419,289**	**₱787,795**	**₱20,207,084**
Cancellation of preferred stock (Note 3)	**(1,000,000)**	–	–	–	**1,000,000**	–	–	–	–	–	–	–	–	–
Cancellation of share swap between PLC and LIR (Note 41)	–	–	–	–	–	–	–	–	**(961,972)**	–	–	**(961,972)**	**(257,161)**	**(1,219,133)**
Acquisition of subsidiary accounted for under acquisition method (Note 21)	–	–	–	–	**(328,074)**	–	–		–	–	–	**(328,074)**	**665,879**	**337,805**
Acquisition of non-controlling interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	**(231,696)**	**(231,696)**
Acquisition of additional Parent Company shares by Pacific Online	–	–	–	–	**(21,192)**	–	–		–	–	–	**(21,192)**	–	**(21,192)**
Disposal of Parent Company shares by Pacific Online	–	–	–	–	**2,073**	–	–	–	–	–	–	**2,073**	–	**2,073**
Disposal of Parent Company interest in PLC without loss of control (Note 2)	–	–	–	–	–	–	–	–	**3,830,380**	–	–	**3,830,380**	**1,704,136**	**5,534,516**
Disposal of Parent Company interest in PLAI without loss of control (Note 3)	–	–	–	–	–	–	–	–	**(55,288)**	–	–	**(55,288)**	**55,288**	–
Disposal of Parent Company interest in Pacific Online without loss of control (Note 3)	–	–	–	–	–	–	–	–	**(304,934)**	–	–	**(304,934)**	**559,595**	**254,661**
Parent Company's additional subscription in PLC (Note 3)	–	–	–	–	–	–	–	–	**1,896,027**	–	–	**1,896,027**	**(1,896,027)**	–
Transaction costs of acquisition and disposal of interest in subsidiaries (Note 3)	–	–	–	–	–	–	–	–	**(1,138,283)**	–	–	**(1,138,283)**	–	**(1,138,283)**

(Forward)

				Attributable to Equity Holders of the Parent											
							Other Reserves								
	Preferred Stock (Note 28)	Common Stock (Note 28)	Additional Paid-in Capital	Equity Share in Cost of Parent Company Shares Held by Associates (Notes 15 and 28)	Cost of Parent Company Common and Preferred Shares Held by Subsidiaries (Note 28)	Unrealized Gain on Available-for-Sale Financial Assets - net (Note 17)	Share in Unrealized Gain (Loss) on Available-for-Sale Financial Assets of Associates (Note 15)	Share in Other Comprehensive Income of an Associate (Note 15)	Remeasurement of Pension Income (Expense) (Note 39)	Transactions with Non-Controlling Interests	Excess of Cost over Net Asset Value of an Investment (Note 21)	Retained Earnings (Deficit) (Note 28)	Total	Non–controlling Interests	Total Equity
Collections of subscription from non-controlling shareholders	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,165,644**	**₱1,165,644**
Cash dividends (Note 28)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(205,841)**	**(205,841)**	**(74,611)**	**(280,452)**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,202,253**	**2,202,253**	**354,421**	**2,556,674**
Unrealized gain (loss) on available-for-sale financial assets - net (Note 17)	**–**	**–**	**–**	**–**	**–**	**277,831**	**–**	**–**	**–**	**–**	**–**	**–**	**277,831**	**–**	**277,831**
Disposal of share in unrealized loss on available-for-sale financial asset of associate	**–**	**–**	**–**	**–**	**–**	**–**	**1,573**	**–**	**–**	**–**	**–**	**–**	**1,573**	**–**	**1,573**
Remeasurement loss of defined benefit - asset (liability) net	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(16,224)**	**–**	**–**	**–**	**(16,224)**	**–**	**(16,224)**
Fair value change due to recovery of previous impairment	**–**	**–**	**–**	**–**	**–**	**1,559,847**	**–**	**–**	**–**	**–**	**–**	**–**	**1,559,847**	**–**	**1,559,847**
Recycling of fair value change due to cancellation of Swap Agreement (Notes 17 and 41)	**–**	**–**	**–**	**–**	**–**	**(1,559,847)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,559,847)**	**–**	**(1,559,847)**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**–**	**–**	**277,831**	**1,573**	**–**	**(16,224)**	**–**	**–**	**2,202,253**	**2,465,433**	**354,421**	**2,819,854**
Balance at December 31, 2014	**₱–**	**₱10,559,383**	**₱5,503,731**	**(₱2,501)**	**(₱1,604,824)**	**₱87,046**	**₱14,061**	**–**	**(₱7,326)**	**₱3,265,930**	**₱252,040**	**₱6,530,078**	**₱24,597,618**	**₱2,833,263**	**₱27,430,881**
Balance at December 31, 2012	₱1,000,000	₱10,559,383	₱5,503,731	(₱731,696)	(₱562,375)	₱14,868	₱20,386	(₱26,393)	₱4,782	₱–	₱–	₱893,813	₱16,676,499	(₱53,104)	₱16,623,395
Disposals (acquisitions) of parent company common and preferred shares by associates and subsidiaries	–	–	–	729,195	(1,695,256)	–	–	–	–	–	–	–	(966,061)	–	(966,061)
Excess of cost over net asset value of an investment	–	–	–	–	–	–	–	–	–	–	252,040	–	252,040	–	252,040
Disposal of share in cumulative translation adjustments and unrealized loss on available-for-sale financial assets of associates	–	–	–	–	–	–	662	26,393	–	–	–	–	27,055	–	27,055
Acquisition of additional non-controlling interest in PLC	–	–	–	–	–	–	–	–	–	–	–	–	–	844,568	844,568
Net income	–	–	–	–	–	–	–	–		–	–	3,639,853	3,639,853	(3,669)	3,636,184
Other comprehensive income (loss)	–	–	–	–	–	(205,653)	(8,560)	–	4,116	–	–	–	(210,097)	–	(210,097)
Total comprehensive income (loss) for the year	–	–	–	–	–	(205,653)	(8,560)	–	4,116	–	–	3,639,853	3,429,756	(3,669)	3,426,087
Balance at December 31, 2013	₱1,000,000	₱10,559,383	₱5,503,731	(₱2,501)	(₱2,257,631)	(₱190,785)	₱12,488	₱–	₱8,898	₱–	₱252,040	₱4,533,666	₱19,419,289	₱787,795	₱20,207,084

See accompanying Notes to Consolidated Financial Statements

				Attributable to Equity Holders of the Parent											
							Other Reserves								
	Preferred Stock (Notes 28 and 40)	Common Stock (Note 28)	Additional Paid-in Capital	Equity Share in Cost of Parent Company Shares Held by Associates (Notes 15 and 28)	Cost of Parent Company Common and Preferred Shares Held by Subsidiaries (Note 28)	Unrealized Gain on Available-for-Sale Financial Assets - net (Note 17)	Share in Unrealized Gain (Loss) on Available-for-Sale Financial Assets of Associates (Note 15)	Share in Other Comprehensive Income of an Associate (Note 15)	Remeasurement of Pension Income (Expense) (Note 39)	Transactions with Non-Controlling Interests	Excess of Cost over Net Asset Value of an Investment	Retained Earnings (Deficit) (Note 28)	Total	Non-controlling Interests	Total Equity
Balance at December 31, 2011	₱1,000,000	₱10,559,383	₱5,503,731	(₱731,696)	(₱497,758)	₱8,585	(₱25,976)	(₱26,393)	₱8,495	₱–	₱–	₱338,093	₱16,136,464	(₱53,047)	₱16,083,417
Disposals (acquisitions) of parent company common and preferred shares by associates and subsidiaries	–	–	–	–	(64,617)	–	–	–	–	–	–	–	(64,617)	–	(64,617)
Excess of cost over net asset value of an investment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Disposal of share in cumulative translation adjustments and unrealized loss on available-for-sale financial assets of associates	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Acquisition of additional non-controlling interest in PLC	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Net income	–	–	–	–	–	–	–	–		–	–	555,720	555,720	(57)	555,663
Other comprehensive income (loss)	–	–	–	–	–	6,283	46,362	–	(3,713)	–	–	–	48,932	–	48,932
Total comprehensive income (loss) for the year	–	–	–	–	–	6,283	46,362	–	(3,713)	–	–	555,720	604,652	(57)	604,595
Balance at December 31, 2012	₱1,000,000	₱10,559,383	₱5,503,731	(₱731,696)	(₱562,375)	₱14,868	₱20,386	(₱26,393)	₱4,782	₱–	₱–	₱893,813	₱16,676,499	(₱53,104)	₱16,623,395

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,690,143**	₱4,969,713	₱713,809
Adjustments for:		–	–
Interest income on finance lease (Note 38)	**(1,409,173)**	(1,177,570)	–
Fair value change due to cancellation of Swap Agreement (Note 41)	**(1,219,133)**	–	–
Gain on significant acquisitions - net (Note 21)	**(879,348)**	–	–
Loss (gain) in finance lease (Notes 18 and 38)	**812,842**	(2,324,434)	–
Accretion of nontrade liability (Note 27)	**533,348**	–	–
Depreciation and amortization (Notes 19, 31, 33 and 34)	**140,560**	34,939	30,926
Equity in net earnings of associates (Note 15)	**(117,190)**	(119,940)	(288,730)
Interest expense (Note 35)	**98,723**	103,852	128,151
Gain on sale of:		–	–
Investments held for trading (Note 10)	**(22,296)**	–	–
Held-to-maturity investments (Note 16)	**(31,353)**	–	–
Property and equipment (Note 36)	**(451)**	(72,026)	(612)
Unrealized mark-to-market gain on investments held for trading (Note 36)	**(34,206)**	–	–
Interest income (Note 35)	**(29,979)**	(56,112)	(116,453)
Dividend income (Note 30)	**(22,443)**	–	(272)
Provision for (reversal of):		–	–
Probable loss on other assets (Note 36)	**9,034**	4,418	61,692
Doubtful accounts (Note 36)	**5,492**	352	2,353
Impairment loss on advances to associates (Note 36)	**40**	–	10,633
Impairment loss on advances to related parties (Note 36)	**–**	4,137	2,121
Amortization of discount on trade receivables (Note 30)	**(9,954)**	(32,280)	(29,392)
Pension costs (Notes 34 and 39)	**8,913**	5,318	4,992
Unrealized foreign exchange loss - net	**7,619**	86,167	37,325
Gain on share swap (Note 15)	**–**	(772,247)	–
Gain on liquidating dividend (Note 15)	**–**	–	(539,671)
Working capital adjustments:			
Decrease (increase) in:			
Receivables	**1,266,829**	2,552,727	(376,903)
Real estate for sale	**(361,769)**	(690,941)	134,818
Club shares	**215,475**	2,421	(26,494)
Other assets	**(1,782,994)**	(331,509)	(246,011)
Increase (decrease) in trade and other current liabilities	**(113,053)**	(3,515,856)	140,557
Net cash used for operations	**(244,324)**	(1,328,871)	(357,161)
Interest received	**44,929**	1,214,806	97,547
Income taxes paid	**(123,397)**	(325,601)	(86,996)
Contributions to the retirement fund (Note 39)	**(15,000)**	(10,310)	(8,371)
Net cash used in operating activities	**(337,792)**	(449,976)	(354,981)
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures on investment properties and payments of estimated liability on construction costs (Note 18)	**(2,605,824)**	(977,326)	(1,875,913)
Acquisitions of:			
Investment in associate (Note 15)	**(413,272)**	–	–
Investments held for trading (Note 10)	**(30,060)**	–	–
Property and equipment (Note 19)	**(104,535)**	(41,821)	(27,185)
Held-to-maturity investments (Note 16)	**–**	–	(750,000)

(Forward)

	Years Ended December 31		
	2014	2013	2012
Purchase consideration for acquisitions of subsidiaries, net of cash acquired (Note 21)	**(₱195,576)**	₱–	₱–
Proceeds from redemption of held-to-maturity investments (Note 16)	**781,353**	–	–
Proceeds from disposal of:			
Investments held for trading (Note 10)	**200,201**	–	–
Property and equipment (Notes 19 and 36)	**572**	76,294	612
Interest paid - capitalized to investment properties (Note 18)	**(80,285)**	(111,023)	(201,900)
Decrease (increase) in:			
Investments in and advances to associates and related parties	**–**	463,014	(46,356)
Escrow fund (Notes 40 and 41)	**–**	2,064,450	(2,162,100)
Short-term investments	**–**	965	7,017
Dividends received (Note 30)	**22,443**	–	272
Net cash provided by (used in) investing activities	**(2,424,983)**	1,474,553	(5,055,553)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term debt and loans payable	**(4,013,459)**	(5,250,037)	(94,143)
Transaction costs of acquisition and disposal of non-controlling interest (Note 3)	**(1,138,283)**	–	–
Interest - net of capitalized interest	**(98,723)**	(135,586)	(117,054)
Acquisition of Parent Company shares held by a subsidiary	**(21,192)**	–	–
Proceeds from:			
Disposal of Parent Company interest in PLC without loss of control	**5,534,516**		
Availment of loans and long-term debt (Notes 24 and 26)	**7,050,000**	229,941	2,222,318
Collection of subscriptions receivable from non-controlling interest	**1,165,644**	–	–
Disposal of interest in Pacific Online without loss of control	**254,661**	–	–
Disposal of Parent Company shares held by a subsidiary	**2,073**	–	–
Stock rights offering (Note 28)	**–**	–	2,082,920
ABLGI advance (Note 27)	**–**	4,000,000	–
Dividends paid	**(280,452)**	–	–
Acquisition of non-controlling interest	**(231,696)**	–	–
Increase (decrease) in:			
Nontrade liability	**(292,092)**	–	–
Advances from related parties	**(2,272)**	(105,791)	(31,283)
Obligations under finance lease	**118**	–	–
Installment payable	**(2,336)**	–	–
Net cash provided by (used in) financing activities	**7,926,507**	(1,261,473)	4,062,758
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(7,619)**	(12,419)	607
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5,156,113**	(249,315)	(1,347,169)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,170,396**	1,419,711	2,766,880
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 9)	**₱6,326,509**	₱1,170,396	₱1,419,711

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information
Belle Corporation ("Belle" or "Parent Company") is a stock corporation organized in the Philippines on August 20, 1973 and was listed at the Philippine Stock Exchange (PSE) on February 2, 1977. The businesses of Belle, direct and through subsidiaries and associates, include mainly real estate development, principally in the high-end leisure property market, gaming and various investment holdings.

The registered office address of Belle is 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, CBP-1A, Pasay City.

Authorization of the Issuance of the Consolidated Financial Statements
The accompanying consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors (BOD) on March 6, 2015.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for investments held for trading and available-for-sale (AFS) financial assets that have been measured at fair value (see Notes 10 and 17). The consolidated financial statements are presented in Philippine peso, the Parent Company's functional and presentation currency, and all values are rounded to the nearest thousands, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and all of its subsidiaries (collectively referred to as "the Company") as at December 31, 2014 and 2013. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee, if and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting and similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company's accounting policies. All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements comprise the financial statements of Belle and the following subsidiaries that it controls:

		2014			2013		
		Percentage of Ownership			Percentage of Ownership		
Subsidiaries	Industry	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total
Belle Bay Plaza Corporation (Belle Bay Plaza)*	Investment	**100.0**	–	**100.0**	100.0	–	100.0
Colossal Construction Corporation*	Investment	**100.0**	–	**100.0**	100.0	–	100.0
Metropolitan Leisure and Tourism Corporation (MLTC)	Investment	**100.0**	–	**100.0**	100.0	–	100.0
Parallax Resources, Inc. (PRI)	Investment	**100.0**	–	**100.0**	100.0	–	100.0
SLW Development Corporation (SLW)*	Investment	**100.0**	–	**100.0**	100.0	–	100.0
Belle Grande Resource Holdings Inc.**	Investment	**100.0**	–	**100.0**	100.0	–	100.0
Highlands Garden Corporation	Investment	**100.0**	–	**100.0**	100.0	–	100.0
Premium Leisure Corp. (PLC) (formerly Sinophil Corporation) and Subsidiaries	Gaming	**78.7**	**0.3**	**79.0**	58.1	–	58.1
PremiumLeisure and Amusement Inc. (PLAI)	Gaming	**–**	**79.0**	**79.0**	100.0	–	100.0
Foundation Capital Resources Inc.*	Investment	**–**	**79.0**	**79.0**	–	58.1	58.1
Sinophil Leisure and Resorts Corporation*	Investment	**–**	**79.0**	**79.0**	–	58.1	58.1
Pacific Online Systems Corporation (Pacific Online) and Subsidiaries***	Gaming	**16.6**	**35.3**	**51.9**	–	–	–
Loto Pacific Leisure Corporation (LotoPac)	Gaming	**–**	**51.9**	**51.9**	–	–	–
Lucky Circle Corporation (LCC)	Gaming	**–**	**51.9**	**51.9**	–	–	–
Total Gaming Technologies, Inc. (TGTI)	Gaming	**–**	**51.3**	**51.3**	–	–	–
Falcon Resources Inc. (FRI)	Gaming	**–**	**51.9**	**51.9**	–	–	–

**Non-operating*
***Incorporated in 2013*
****Considered as a subsidiary effective June 5, 2014*

The Company's subsidiaries are all incorporated in the Philippines.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Material Partly-owned Subsidiaries

Pacific Online

The non-controlling interests of Pacific Online are material to the Company. Non-controlling interest hold 48.1% as at December 31, 2014.

The summarized financial information of Pacific Online is provided below. This information is based on amounts before intercompany eliminations.

Summarized Consolidated Statement of Financial Position as at December 31, 2014:

	Amount
	(In Thousands)
Total current assets	₱1,771,169
Total noncurrent assets	580,392
Total current liabilities	458,632
Total noncurrent liabilities	94,431
Total equity	₱1,798,498
Attributable to:	
Equity holders of the Parent	₱803,723
Non-controlling interests	994,775
Total	₱1,798,498

Summarized Consolidated Statement of Comprehensive Income for the year ended December 31, 2014:

	Amount
	(In Thousands)
Revenues	₱1,030,329
Costs and expenses	(635,368)
Other charges - net	(151,903)
Income before income tax	243,058
Provision for income tax	(120,002)
Net income	123,056
Other comprehensive loss	(11,564)
Total comprehensive income	₱111,492
Attributable to:	
Equity holders of the Parent	₱43,113
Non-controlling interests	68,379
Total	₱111,492

Dividends paid to non-controlling interests in 2014 amounted to ₱74.6 million.

Summarized Consolidated Statement of Cash Flows for the year ended December 31, 2014:

	Amount
	(In Thousands)
Operating	₱502,535
Investing	(187,764)
Financing	(5,445)
Net increase in cash and cash equivalents	₱309,326

PLC

The non-controlling interests of PLC are material to the Company. Non-controlling interests hold 21.0% and 41.9% as at December 31, 2014 and 2013, respectively.

The summarized financial information of PLC is provided below. This information is based on amounts before intercompany eliminations.

Summarized Consolidated Statements of Financial Position as at December 31, 2014 and 2013:

	2014	2013
	(In Thousands)	
Total current assets	**₱2,749,922**	₱92,628
Total noncurrent assets	**13,122,939**	1,975,031
Total current liabilities	**83,953**	53,321
Total noncurrent liabilities	**1,048**	179,012
Total equity	**₱15,787,860**	₱1,835,326
Attributable to:		
Equity holders of the Parent	**₱13,949,372**	₱1,047,531
Non-controlling interests	**1,838,488**	787,795
Total	**₱15,787,860**	₱1,835,326

Summarized Consolidated Statements of Comprehensive Income for the years ended December 31, 2014 and 2013:

	2014	2013
	(In Thousands)	
Revenue	**₱227,966**	₱1
Costs and expenses	**(468,992)**	(8,735)
Other income - net	**1,585,088**	–
Income (loss) before income tax	**1,344,062**	(8,734)
Provision for income tax	**(5,117)**	–
Net income	**1,338,945**	–
Other comprehensive income (loss)	**19,431**	(20,801)
Total comprehensive income (loss)	**₱1,358,376**	(₱29,535)
Attributable to:		
Equity holders of the Parent	**₱1,072,334**	(₱25,866)
Non-controlling interests	**286,042**	(3,669)
Total	**₱1,358,376**	(₱29,535)

Summarized Consolidated Statements of Cash Flows for the years ended December 31, 2014 and 2013:

	2014	2013
	(In Thousands)	
Operating	**(₱383,598)**	₱60
Investing	**(11,020,891)**	–
Financing	**14,095,686**	75
Net increase in cash and cash equivalents	**₱2,691,197**	₱135

During September and October 2014, Belle, its subsidiaries and affiliates sold a total of approximately 3.5 billion PLC shares in the secondary market in order to increase PLC's public float. These share sales reduced Belle's consolidated ownership in PLC to 24.9 billion shares or approximately 79.0%, which is unchanged as of December 31, 2014. This transaction is considered as a sale of interest in PLC without losing control, thus all of the related gains and related transaction costs were accounted for directly in equity.

As a result of the sale, the Company recognized additional non-controlling interests amounting to ₱1,704.1 million and a credit to "Other reserves – transactions with non-controlling interests" amounting to ₱3,830.4 million in the equity section of the 2014 consolidated statement of financial position pertaining to the proceeds from the sale, net of transaction costs.

3. **Corporate Reorganization**

On June 2, 2014, the BOD of the Parent Company approved the plan to transfer the gaming business and interests of Belle to PLC (the "Investment Plan") by authorizing the sale of the Parent Company's investments in PLAI and Pacific Online. PLAI is a grantee by PAGCOR of a License to operate integrated resorts, including casinos in the vicinity of Entertainment City.

On June 20, 2014, the Parent Company and PLC entered into a subscription agreement for 24,700,000,000 common shares of PLC at a subscription price of ₱0.369 per share or a total subscription of ₱9,114.3 million, thereby increasing the Company's ownership in PLC to 89.8%. Subscription payments were made by the Parent Company in July 2014. As a result, the Company recognized ₱1,896.0 million adjustment to non-controlling interests. Transaction costs amounting to ₱54.0 million were charged to "Other reserves – transactions with non-controlling interests" in the equity section of the 2014 consolidated statement of financial position. The Company's consolidated interest in PLC was subsequently reduced by the sale of approximately 3.5 billion shares in PLC in the secondary market (see Note 2).

On July 22, 2014, Belle and PLC executed a Deed of Sale of Shares for the sale of 100% ownership interest in PLAI by Belle to PLC for a consideration of ₱10,847.8 million. The transaction resulted in a ₱55.3 million adjustment to non-controlling interests in the Company's 2014 consolidated financial statements. Transaction costs amounting to ₱1,084.3 million were charged to "Other reserves – transactions with non-controlling interests" in the equity section of the 2014 consolidated statement of financial position.

On July 22, 2014, PLC executed several Deeds of Sale of Shares with Belle and certain of its subsidiaries for the acquisition of 101,668,953 common shares of Pacific Online at a subscription price of ₱15 per share, equivalent to 34.5% ownership interest in Pacific Online, for a total consideration of ₱1,525.0 million. This resulted to a decrease in the Parent Company's direct ownership interest in Pacific Online to 16.2% immediately after the sale. The transactions resulted in a ₱304.9 million adjustment to non-controlling interests.

Consistent with the decision for PLC to take on the gaming business, PLC was also authorized to sell to Belle its non-gaming related assets consisting of the following transactions, which were eliminated in the Company's consolidated financial statements:

- Membership shares in Tagaytay Midlands Golf Club, Inc. (TMGCI) for a consideration of ₱198.0 million;
- A lot with gross area of 4,348 square meters located within the Aseana Business Park at the Manila Bay Reclamation Area for a consideration of ₱250.0 million; and
- Several parcels of land in The Parks at Saratoga Hills within the Tagaytay Midlands Complex for a consideration of ₱73.4 million.

On July 22, 2014, Belle and PLC executed a Memorandum of Agreement for the redemption of 1,000,000,000 preferred shares by Belle for a cash consideration of ₱1,000.0 million.

4. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS that became effective during the year. The adoption of the new standards and amendments as at January 1, 2014 did not have a material effect on the accounting policies, financial position, or performance of the Company.

- Philippine Accounting Standard (PAS) 36, *Impairment of Assets – Recoverable Amount Disclosures for Nonfinancial Assets* (Amendments)

  These amendments remove the unintended consequences of PFRS 13, Fair Value Measurement, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements,* PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements)*

  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief.

- Philippine Interpretation IFRIC 21, *Levies*

  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

- PAS 39, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (Amendments)

  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

Annual Improvements to PFRSs
Annual improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view of removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. These improvements are effective immediately but did not have a material impact on the Company's consolidated financial statements. These include:

- Annual improvements to PFRSs 2010-2012 Cycle (PFRS 13, *Fair Value Measurement*)

  The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Company.

- Annual improvements to PFRSs 2011-2013 Cycle (PFRS 1, *First-time Adoption of PFRS*)

  The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Company as it is not a first time PFRS adopter.

5. **Future Changes in Accounting Policies**

The Company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial position and performance.

Effective in 2015

- PF*RS 9, Financial Instruments – Classification and Measurement* (2010 version)

  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Amendments to PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions*

  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

Effective after 2015

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture –-Bearer Plants* (Amendments)

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not be applicable to the Company.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures, and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

Effective in 2018

- PFRS 9, *Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7, Financial Instruments: Disclosures* and PAS 39 (2013 version)

  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the Financial Reporting Standards Council (FRSC). The adoption of the final version of PFRS 9, however, is still for approval by BOA.

- PFRS 9, *Financial Instruments* (2014 or final version)

  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

Annual Improvements to PFRSs

These improvements to the following standards and interpretations are effective for annual periods beginning on or before January 1, 2015 and are not expected to have a material impact on the Company's consolidated financial statements.

Annual Improvements to PFRS (2010-2012 Cycle)

- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*

  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker.

- PAS 16, *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation*

  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b) The accumulated depreciation is eliminated against the gross carrying amount of the asset. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

- PAS 24, *Related Party Disclosures – Key Management Personnel*

  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

- PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization*

  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*

  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement – Portfolio Exception*

  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts.

- PAS 40, *Investment Property*

  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3.

Annual Improvements to PFRSs (2012-2014 Cycle)

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*

  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*

  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits – regional market issue regarding discount rate*

  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'*

  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Deferred Effectivity

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new Revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

6. Summary of Significant Accounting Policies

Fair value measurement
The Company measures financial instruments such as derivatives and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring and nonrecurring fair value measurements.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value measurement disclosures are presented in Note 44.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash in banks earns interest at the prevailing bank deposit rates.

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

<u>Financial Assets</u>

Date of Recognition of Financial Assets. The Company recognizes financial assets in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognized on settlement date, i.e., the date that an asset is delivered to or by the Company.

Initial Recognition and Measurement of Financial Assets. Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Categories of Financial Assets. Financial assets, at initial recognition, are classified as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The

Company determines the classification of its financial assets at initial recognition and where allowed and appropriate, re-evaluates such classification every financial reporting date.

As at December 31, 2014 and 2013, the Company has no derivatives designated as hedging instruments.

- Financial assets at fair value through profit or loss

  Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39.

  The Company's financial assets held for trading consist of equity instruments in quoted shares of stock shown as shown under "Investments held for trading" account in the consolidated statement of financial position (see Note 10).

- Loans and Receivables

  Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL or AFS financial assets.

  This category includes the Company's receivables, finance lease receivables, advances to associates as shown under "Investments in and advances to associates" account in the consolidated statement of financial position, advances to related parties and escrow fund (see Notes 11, 15 and 40).

- HTM Investments

  HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. When the Company sells other than an insignificant amount of HTM financial assets, the entire category would be tainted and reclassified as AFS financial assets.

  The Company's investment in SM Investments Corporation (SMIC) retail bonds is classified as HTM investment as at December 31, 2013. The HTM investment was redeemed by the issuer in 2014, hence there is no outstanding balance as at December 31, 2014 (see Note 16).

- AFS Financial Assets

  AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. The Company designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

This category includes the Company's investments in quoted and unquoted equity securities shown under "Available-for-sale financial assets" account in the consolidated statement of financial position (see Note 17).

Subsequent Measurement. For the purposes of subsequent measurement, financial assets are classified in four categories: FVPL, Loans and Receivables, HTM Investments and AFS financial assets.

- Financial assets at fair value through profit or loss

  Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as part of "Other income (charges)" account in the consolidated statement of comprehensive income.

- Loans and Receivables

  After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is recognized in profit or loss. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. The losses arising from impairment are recognized in the consolidated statement of comprehensive income.

- HTM investments

  After initial measurement, these investments are subsequently measured at amortized cost using the EIR method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included under "Interest income" account in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the consolidated statement of comprehensive income.

- AFS Financial Assets

  After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as a separate component of other comprehensive income in the consolidated statement of comprehensive income and in the consolidated statement of changes in equity until the investment is derecognized or determined to be impaired, at which time, the cumulative gain or loss is recognized in profit or loss in the consolidated statement of comprehensive income.

  AFS financial assets in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments are measured at cost because its fair value cannot be measured reliably.

  The Company evaluates its AFS financial assets whether the ability and intention to sell such in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to HTM is permitted only when the Company has the ability and intent to hold until the financial asset matures accordingly.

For a financial asset reclassified from the AFS financial assets category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in other comprehensive income is amortized to profit or loss in the consolidated statement of comprehensive income over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired, then the amount recorded in the consolidated statement of changes in equity is reclassified to the profit or loss in the consolidated statement of comprehensive income.

Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a specific identification basis. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in profit or loss in the consolidated statement of comprehensive income when the right to receive payment has been established. The losses arising from impairment of such financial assets are recognized in profit or loss in consolidated statement of comprehensive income.

Financial Liabilities

Date of Recognition of Financial Liabilities. The Company recognizes financial liabilities in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

Initial Recognition of Financial Liabilities. Financial liabilities are recognized initially at fair value and in the case of other financial liabilities, net of directly attributable transaction costs.

Categories of Financial Liabilities. Financial liabilities are classified as financial liabilities at FVPL, other financial liabilities which are measured at amortized cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition and where allowed and appropriate, re-evaluates such classification every financial reporting date.

As at December 31, 2014 and 2013, the Company has no financial liabilities as at FVPL and derivatives designated as hedging instruments.

Other financial liabilities are not held for trading or not designated as at FVPL upon the inception of the liability. This includes liabilities arising from operations (e.g., trade and other current liabilities).

As at December 31, 2014 and 2013, this category includes the Company's loans payable, trade and other current liabilities (excluding customers' deposits, statutory payables and other liabilities to the government), nontrade liability, obligations under finance lease, installment payable and long-term debt (see Note 44).

Subsequent Measurement. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is recognized in profit or loss.

Offsetting of Financial Assets and Financial Liabilities
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

"Day 1" Difference
Where the transaction price in a nonactive market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Classification of Financial Assets and Financial Liabilities Between Debt and Equity
A financial asset and financial liability is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Impairment of Financial Assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost. For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through use of an allowance account and the amount of the loss is recognized in profit or loss in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the effective interest rate of the asset.

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

The Company provides an allowance for loans and receivables which they deemed to be uncollectible despite the Company's continuous effort to collect such balances from the respective customers. The Company considers those past due receivables as still collectible if they become past due only because of a delay on the fulfillment of certain conditions as agreed in the contract and not due to incapability of the customers to fulfill their obligation. However, for those receivables associated with pre-terminated contracts, the Company directly writes them off from the account since there is no realistic prospect of future recovery.

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

AFS Financial Assets. For AFS equity investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. The evidence of impairment for equity securities classified as AFS financial assets would include a significant or prolonged decline in fair value of investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the other comprehensive income - is removed from other comprehensive income and recognized in profit or loss in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the profit or loss in the consolidated statement of comprehensive income. Increases in fair value after impairment are recognized directly in other comprehensive income in the consolidated statement of comprehensive income.

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

Derecognition of Financial Assets and Financial Liabilities

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

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

Where the Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

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

Real Estate for Sale
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes land acquisition cost, amounts paid to contractors for construction, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to complete and the estimated costs of sale. The cost of inventory property recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and allocation of any non-specific costs based on the relative size of the property sold. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

Club Shares

Club shares are stated at the lower of cost and NRV. The cost of club shares sold is determined on the basis mainly of the actual development cost incurred plus the estimated development cost to complete the project based on the estimates as determined by the in-house engineers, adjusted with the actual costs incurred as the development progresses. NRV is the estimated selling price less estimated cost to complete and sell.

Investments in Associates

An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or control are similar to those necessary to determine control over subsidiaries. Investments in associates are accounted for under the equity method. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associates since their respective acquisition dates. Goodwill relating to the associates is included in the carrying amount of the investments and is not tested for impairment individually.

Under the equity method, the investments in associates are initially recognized at cost.

The profit or loss in the consolidated statement of comprehensive income reflects the Company's share of the results of operations of the associates. When there has been a change recognized directly in the equity of the associates, the Company recognizes its share of any changes and discloses this, when applicable, as part of other comprehensive income and in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Company's share in income or loss of associates is shown on the face of the consolidated statement of comprehensive income. This is the income or loss attributable to equity holders of the associates and therefore is income or loss after tax and non-controlling interest in the subsidiaries of the associates.

If the Company's share of losses of an associate equals or exceeds the carrying amount of an investment, the Company discontinues including its share of further losses. After the Company's investment is reported at zero value, additional losses are provided for and a liability is recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits exceeds the share of net losses not recognized.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investment in its associates. The Company determines at each reporting date whether there is any objective evidence that each of the investment in associates is impaired. If such evidence exists, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment in associate and its carrying value and recognizes the loss against profit or loss in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the investment in associates upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss in the consolidated statement of comprehensive income.

The financial statements of the associates are prepared for the same reporting period as the Parent Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Parent Company.

Investment Properties

Investment properties comprise of land and building under construction held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met. Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties, except for land, are stated at amortized cost less impairment and accumulated depreciation, if any. Investment properties under construction are not depreciated until such time that the relevant assets are completed and become available for operational purpose.

Investment property is derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses, which are the difference between the net disposal proceeds and the carrying amount of the investment property, on the retirement or disposal, are recognized in profit or loss in the consolidated statement of comprehensive income in the year of retirement or disposal.

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

Business Combinations

Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method is used. Business combinations under common control are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in "Selling, general and administrative expenses" account in the consolidated statement of comprehensive income.

For accounting similar to pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements of the Company at their carrying amounts as if the combinations had occurred from the date when the acquired companies first became under the control of the Company. The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized under “Equity adjustments from business combination under common control” account in the equity section of the consolidated statement of financial position.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. If the contingent consideration is classified as equity, it should not be remeasured and subsequent settlement is accounted for within equity.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling inter costs and any previous interest held over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss as part of the consolidated statement of comprehensive income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company measures in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Company retrospectively adjusts the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Company also recognizes additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. The measurement period does not exceed one year from the acquisition date.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units, or group of cash generating units that are expected to benefit from the synergies of the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment or determined in accordance with PFRS 8, *Operating Segment.*

Impairment is determined by assessing the recoverable amount of the cash generating unit or group of cash generating units, to which the goodwill relates. Where the recoverable amount of the cash generating unit or group of cash generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash generating unit or group of cash generating units and part of the operations within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment loss with respect to goodwill is not reversed.

Negative goodwill which is not in excess of the fair values of the acquired identifiable nonmonetary assets of subsidiaries and associates is charged directly to income.

Transfers of assets between commonly controlled entities are accounted for under historical cost accounting.

When business combination involves more than one exchange transaction (occurs in stages), each exchange transaction is treated separately by the Company, using the cost of transaction and fair value information at the date of each exchange transactions, to determine the amount of goodwill associated with that transaction. Any adjustment to fair value relating to the previously held interest is a revaluation and is accounted for as such.

When subsidiaries are sold, the difference between the selling price and the net assets plus goodwill is recognized in profit or loss.

Property and Equipment

Property and equipment, except land, are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes of the cost of replacing part of the property and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of plant and equipment are recognized to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are charged against profit or loss in the consolidated statement of comprehensive income as incurred. Land is carried at cost net of accumulated impairment losses, if any.

Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Lottery equipment	4–10 years or term of lease, whichever is shorter
Leasehold improvements	15 years or the term of the lease, whichever is shorter
Machinery and equipment	5 years
Condominium units and improvements	17 years
Transportation equipment	4–5 years or the term of the lease, whichever is shorter
Office furniture, fixtures and equipment	5 years

The residual values, useful lives and methods of depreciation of property and equipment are reviewed, and adjusted if appropriate, at each financial year-end and adjusted prospectively, if appropriate.

Construction-in-progress represents property and equipment under construction and is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is transferred to the related property and equipment when the construction or installation and related activities necessary to prepare the property and equipment for their intended use have been completed. Construction-in-progress is not depreciated until such time that assets are completed and available for use.

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

Fully depreciated property and equipment are retained in the accounts until they are no longer in use.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of comprehensive income in the year the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in the useful life from the indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Other Assets

Other assets are stated at cost less accumulated impairment losses, if any are shown in the consolidated statement of financial position. The accounting policies specific to the related assets are as follows:

Creditable Withholding Tax (CWT). CWT is recognized by virtue of Republic Act No. 8424, also known as the Tax Reform Act of 1997, relative to the withholding on income subject to expanded and final withholding tax on compensation, value-added tax and other percentage taxes. CWT is recognized when the other party withheld certain taxes payable to the tax authority, and is reduced to the extent of that CWT which will not be realized through the use of an allowance account.

Instant Scratch Tickets, Spare Parts and Supplies. Instant scratch tickets, spare parts and supplies are included under "Other current assets" account in the consolidated statement of financial position. Instant scratch tickets are valued at cost, less any impairment loss. Spare parts and supplies are valued at the lower of cost and net realizable value. Cost, which includes all costs attributable to acquisition, is determined using the first-in, first-out method. Net realizable value of spare parts and supplies is its current replacement cost.

Impairment of Nonfinancial Assets (excluding Goodwill)

The Company assesses at each reporting date whether there is an indication that investments in associates, investment properties, property and equipment, intangible asset and other assets may be impaired. If any such indication exists and when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell or and its value in use. The recoverable amount and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Any impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired assets.

For asset excluding goodwill, an assessment is made at each reporting date to determine as to whether there is any indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company makes an estimate of the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Equity
Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital.

Retained earnings represent the accumulated earnings of the Company, net of dividends declared to date.

Equity Share in Cost of Parent Company Shares Held by Associates
Equity share in cost of Parent Company common shares held by associates represents the amount that reduces the Company's "Investments in and advances to associates" account and equity balance by the Company's effective ownership in Parent Company common shares held by associates.

Cost of Parent Company Common and Preferred Shares Held by Subsidiaries
Cost of Parent Company common shares held by subsidiaries are equity instruments which are reacquired (treasury shares) and are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized in other reserves.

Non-controlling Interest (NCI)
NCI represents the portion of profit or loss and the net assets not held by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from total equity attributable to owners of the Parent Company. Any losses applicable to a non-controlling shareholder of a consolidated subsidiary in excess of the non-controlling shareholder's equity in the subsidiary are charged against the NCI even if this results in NCI having a deficit.

NCI represent the equity interest in PLC and Pacific Online not held by the Parent Company.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Except for "Commission income," the Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Interest Income. Interest income from trade receivables and finance lease receivables is recognized as the interest accrues using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount. Interest income from bank deposits is recognized as it accrues.

Revenue from Sale of Real Estate and Club Shares. Revenue from sale of real estate, which include the sale of lots and condominium units and club shares, are accounted for under the full accrual method of accounting. Under this method, revenue and cost is recognized when: (a) the collectibility of the sales price is reasonably assured; (b) the earnings process is virtually complete; and (c) the seller does not have a substantial continuing involvement with the subject properties.

Real estate sales, where the Company has material obligations under the sales contract to provide improvements after the property are sold, are accounted for under the percentage of completion method. Under this method, the gain on sale is realized as the related obligations are fulfilled and the units are completed, measured principally as a percentage of actual cost incurred to date over the total estimated project cost.

If none of the revenue recognition criteria are met, deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is accounted as customers' deposits included under "Trade and other current liabilities" account in the consolidated statement of financial position.

Equipment Rental and Instant Scratch Ticket Sales. Income from equipment rental of central computer, communications equipment, including its accessories, lotto terminals, including the right to use the application software and manuals for the central computer system and terminals and draw equipment, as well as maintenance and repair fees are recognized based on a certain percentage of gross sales of the lessee's online lottery operations, as computed by the lessee in accordance with the agreement, or a fixed annual rental per terminal in commercial operations, whichever is higher.

Revenue from sale of instant scratch tickets is recognized when the significant risks and rewards of ownership of the Instant Scratch Tickets (tickets) have passed to the buyer and the amount of revenue can be measured reliably, net of all directly attributable costs and expenses.

Lease Income. Lease income arising from operating leases on investment properties is accounted for on a straight-line basis over the terms of the lease.

Revenue from Property Management. Revenue is recognized as services of providing utilities and maintenance are performed.

Gaming Revenue Share. Revenue representing monthly payments from MCE Leisure based on the performance of gaming operations of City of Dreams Manila integrated resort and casino is recognized when earned pursuant to an Operating Agreement.

Termination Income. Termination income is recognized when amount is actually collected.

Gain (Loss) on Finance Lease. Gain on finance lease pertains to the income arising from the difference between the fair value of an asset and its cost. Gain on finance lease is recognized when incremental economic benefit will flow to the entity and the amount can be measured reliably. Loss on finance lease pertains to a loss arising from the modification of cash flows.

Gain on Share Swap. Gain is recognized upon delivery of shares and upon confirmation of receipt by the other party.

Dividends and Gain on Liquidating Dividend. Revenue is recognized when the Company's right to receive the payment is established.

Commission Income on Sale of Real Estate Project of Related Party (presented under "Other revenue" account). Revenue is recognized when the related services are rendered. Commission is computed as a certain percentage of the net contract price of the sold real estate project of a related party.

Commission Income on Ticket Sales (presented under "Other revenues" account). Commission is recognized as a certain percentage of sales of PSCO lottery, sweepstakes, and instant scratch tickets.

Income from Forfeitures (presented under "Other income" account). This represents income from forfeitures of the deposits and, to a certain extent, installments from customers in the event of a default and/or from cancellations of sales. Revenue is recognized upon approval of cancellation.

Penalty (presented under "Other income" account). Penalty pertains to income from surcharges for buyers' default and late payments. Income is recognized when penalty is actually collected.

Other Income. Revenue is recognized when there is an incremental economic benefit, other than the usual business operations, that will flow to the Company and the amount of the revenue can be measured reliably.

Costs and Expense Recognition
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in profit or loss in the consolidated statement of comprehensive income on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Cost of real estate sold includes all direct materials and labor costs, and those indirect costs related to contract performance. When it is probable that the labor contract cost will exceed total contract revenue, the expected loss is recognized immediately. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins, are recognized in the year in which the revisions are determined. The cost of inventory recognized in profit or loss in the consolidated statement of comprehensive income upon sale is determined with reference to the specific costs incurred on the property, allocated to the saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

Leases
The determination of whether an arrangement is, or contain, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. There is a substantial change to the asset or assets.

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

Company as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are charged against profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Finance leases, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at fair value of the leased property or, of lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

Company as a lessor
Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income is recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Finance leases which transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item, are recorded as finance lease receivable measured at present value of the minimum lease payments. Lease payments from the lessee are apportioned between finance lease income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the receivable. Lease income is recognized under "Interest income on finance lease" account in the consolidated statement of comprehensive income.

The cost of the leased item is derecognized at inception of the lease. Cost includes estimated cost to complete the construction of a leased item and recognized as "Estimated liability on construction costs" separately shown in the consolidated statement of financial position and shall be settled based on actual billings from the contractors and adjusted upon completion of the construction. Any difference between the actual cost incurred and the estimated liability on construction costs are recognized in profit or loss.

Capitalization of Operating Lease. Where a building will be constructed on a land under operating lease, the operating lease costs that are incurred during the construction period may be capitalized as part of the construction cost of the building. Such lease costs are viewed as costs directly attributable to bringing the building to the location and condition necessary for it to be capable of operating in a manner intended by management. Lease costs are necessary and unavoidable costs of constructing the building, because without this lease, no construction could occur. Otherwise, this may be expensed outright.

Borrowing Costs

Borrowing costs directly attributable to the development of the Company's projects that necessarily take a substantial period of time to get ready for its intended use are capitalized as part of the cost of the investment property account in the consolidated statement of financial position. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use is complete. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Pension Costs

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, difference between interest income and return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting period.

Foreign Currency-denominated Transactions and Translations

Transactions denominated in foreign currency are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of transaction. Monetary assets and monetary liabilities denominated in foreign currencies are restated using the closing exchange rate at the reporting date. All differences are recognized in profit or loss in the consolidated statement of comprehensive income. Nonmonetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Income Taxes

Current Income Tax. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred Income Tax. Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and by the parent, venture or investor, respectively, it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences the carry forward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO) to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward benefits of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized in "Other comprehensive income" account are included in "Other comprehensive income" account in the consolidated statement of comprehensive income and not in profit or loss.

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

Value-Added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

Tax benefits acquired as part of a business combination but not satisfying the criteria for separate recognition at that date should be recognized subsequently if new information about facts and circumstances changed. The adjustments would either be treated as a reduction to goodwill.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Input VAT" under "Other current assets" account or "Output VAT payable" under "Trade payable and other current liabilities" account, respectively, in the consolidated statement of financial position.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net profit or loss for the year attributable to common equity holders of the parent, after recognition of the dividend requirement of preferred shares, as applicable, by the weighted average number of issued and outstanding common shares during the year, after giving retroactive effect to any stock dividends declared during the year.

Diluted EPS is computed by dividing net profit or loss for the year attributable to common equity holders of the parent by the weighted average number of issued and outstanding common shares during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an anti-dilutive effect on EPS.

As the Company has no dilutive potential common shares outstanding, basic and diluted EPS are stated at the same amount.

Operating Segments
For management purposes, the Company is organized into business units based on the nature of the products and services provided, with each segment representing a strategic business unit that offers different products.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and, a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented as part of profit or loss in the consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the reporting period (adjusting events), if any, are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

7. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in future periods.

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

Recognition of Revenue and Cost of Sale of Real Estate and Club Shares. Selecting an appropriate revenue recognition method for a particular sale transaction requires certain judgments based on sufficiency of cumulative payments by the buyer and completion of development. The completion of development is determined based on actual costs incurred over the total estimated development costs reconciled with the engineer's judgment and estimates on the physical portion of contract work done if the development cost is beyond preliminary stage.

Revenue and cost from sale of real estate and club shares sold amounted to ₱300.3 million and ₱125.9 million, respectively, in 2014, ₱175.3 million and ₱115.4 million, respectively, in 2013 and ₱323.6 million and ₱117.2 million, respectively, in 2012 (see Note 32).

Business Combinations. The Company acquires subsidiaries which own real estate and gaming operations. At the time of acquisition, the Company considers whether the acquisition represents an acquisition of a business or a group of assets and liabilities. The Company accounts for an acquisition as a business combination where an integrated set of business processes is acquired in addition to the asset acquired. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary.

When the acquisition of subsidiary does not constitute a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values and no goodwill or deferred tax is recognized.

Please refer to Note 21 for the Company's most recent business combinations.

Assessing Significant Influence over Associates. Significant influence is presumed when there is a holding of 20% or more of the voting power of the investee (held directly or indirectly, through subsidiaries). Management assessed that the Company has significant influence over all its associates by virtue of the Company's holding more than 20% voting power in the investee, representation on the board of directors, and participation in policy-making processes of the associates.

The carrying value of the investments in and advances to associates amounted to ₱93.9 million and ₱978.0 million as at December 31, 2014 and 2013, respectively (see Note 15).

Assessing Control over Investees. The Company assesses whether or not it controls investees when it holds less than a majority voting right (de facto control) by considering the Company's exposure to, or rights to variable returns, from its involvement with the investee and its ability to affect those returns through its power over the investee. As at December 31, 2014 and 2013, the Company has not consolidated any investee by virtue of de facto control.

Determining Subsidiaries with Material Non-controlling Interests and Material Associates. The Company is required to disclose certain financial information on its subsidiaries with material non-controlling interests and material associates. There are also qualitative considerations including the nature of relationship between the Company and the subsidiary or associate and the nature of their businesses.

Management determines material subsidiaries with material non-controlling interests as those with assets, non-controlling interests, revenues and net income greater than 5% of consolidated assets, non-controlling interests, revenues and net income. Material associates are those where the Company's carrying amount of investment or equity in net earnings is greater than 5% of the consolidated assets or net income at year end.

The Company has determined PLC and Pacific Online in 2014 and PLC in 2013 as subsidiaries with material non-controlling interests (see Note 3). The Company has no material associates in 2014 and 2013 (see Note 15).

Evaluation of Lease Commitments. The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains a lease when the fulfillment of the arrangement depends on specific asset or assets and the arrangement conveys a right to use the asset.

Evaluation of Lease Agreement. The Parent Company has entered into a lease agreement with MCE Leisure (Philippines) Corporation for City of Dreams Manila for the lease of a building. The determination of whether a lease agreement has to be accounted for as operating or finance lease requires significant judgment. Management has determined based on evaluation of the terms and conditions of the arrangement, that the Parent Company transfers substantially all the risks and benefits incidental to ownership of the building and that the present value of the minimum lease payments amounts to at least substantially all of the fair value of the building at the lease inception date. On those bases, the Parent Company accounted for the lease of the building structures phase 1 under finance lease (see Notes 18 and 38).

Operating Lease – as a Lessor
The Parent Company, as a lessor, has accounted for the lease agreements for its land under an operating lease. The Parent Company has determined that it has not transferred the significant risks and rewards of ownership of the leased properties to the lessee because of the following factors:

a) the lessee will not acquire ownership of the leased properties upon termination of the lease; and
b) the lessee was not given an option to purchase the assets at a price that is sufficiently lower than the fair value at the date of the option.

Lease income earned from lease of land amounted to ₱188.8 million, ₱157.1 million and ₱18.4 million in 2014, 2013 and 2012, respectively (see Note 38).

Pacific Online and TGTI leases to Philippine Charity Sweepstakes Office (PCSO) the lottery equipment it uses for its nationwide on-line lottery operations. Pacific Online has determined that it has retained substantially all the risks and benefits of ownership of the lottery equipment being leased to PCSO. Accordingly, the lease is accounted for as an operating lease.

Revenue from equipment rental in 2014 amounted to ₱828.7 million (see Note 38).

Finance Lease – as a Lessee
Pacific Online also entered into various finance lease agreements covering certain lottery equipment. Pacific Online determined that it bears substantially all the risks and rewards incidental to the ownership of the said properties under finance lease agreements.

The carrying amount of lottery equipment under finance lease arrangements amounted to ₱123.3 million as at December 31, 2014 (see Note 38).

Operating Lease – as a Lessee
The Parent Company, as a lessee, has entered into lease agreements for its office space, land, parking lots, machinery, office and transportation equipment. The Parent Company has

determined that it has not acquired the significant risks and rewards of ownership of the leased properties, thus the Company recognized the lease agreements as operating leases.

Rent expense recognized from operating lease amounted to ₱11.7 million, ₱11.6 million and ₱8.4 million in 2014, 2013 and 2012, respectively (see Notes 34 and 38).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, many changes due to market changes or circumstances arising that are beyond the control of the Company. Such changes are related in the assumptions when they occur.

Determination of Fair Value of Financial Assets and Financial Liabilities. Certain financial assets and financial liabilities are carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any changes in the assumptions could affect the fair value of these financial assets and financial liabilities. Please refer to Note 44 for the required disclosures on the fair value of the Company's financial assets and financial liabilities.

Determination of Fair Value of Financial Assets Not Quoted in an Active Market. The Company classified financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly accruing market transaction in an arm's length basis.

The fair values of the Company's investments in unquoted shares cannot be reasonably determined as these shares are not quoted in an active market. There were no recent transactions involving these shares, therefore these investments are carried at cost less impairment, if any. The Company does not intend to dispose these investments in unquoted shares.

The carrying value of AFS financial assets in unquoted shares amounted to ₱2.7 million and ₱65.2 million as at December 31, 2014 and 2013, respectively (see Note 17).

Determination of Impairment of Receivables and Advances to Associates and Other Related Parties. The Company maintains an allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables and advances. The level of this allowance is evaluated by the management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the age and status of receivable, the length of relationship with the customers and related parties, the counterparty's payment behavior and known market factors.

The Company reviews the allowance on a continuous basis. Accounts that are specifically identified to be potentially uncollectible are provided with adequate allowance through charges to income in the form of provision for doubtful accounts. The amount and timing of recorded provision for doubtful accounts for any period would differ if the Company made different judgments or utilized different estimates. An increase in the Company's allowance for doubtful accounts would increase the recorded operating expenses and decrease its assets.

Aggregate provision for doubtful accounts on trade and other receivables and impairment loss on advances to related parties amounted to ₱5.5 million, ₱4.5 million and ₱4.5 million in 2014, 2013 and 2012, respectively (see Notes 11 and 36). Receivables, net of allowance for doubtful accounts, amounted to ₱1,474.9 million and ₱1,222.4 million as at December 31, 2014 and 2013, respectively. Allowance for doubtful accounts amounted to ₱132.1 million and ₱138.0 million as at December 31, 2014 and 2013, respectively (see Note 11).

Provision for doubtful accounts on advances to associates and impairment loss on advances to related parties amounted to ₱0.04 million, nil and ₱10.6 million in 2014, 2013 and 2012, respectively (see Notes 15, 36 and 40). Advances to associates, net of allowance for doubtful accounts, amounted to ₱3,704.6 million and ₱3,706.5 million as at December 31, 2014 and 2013, respectively. Allowance for impairment amounted to ₱145.3 million and ₱145.2 million as at December 31, 2014 and 2013, respectively (see Notes 15 and 40).

Determination of NRV of Real Estate for Sale, Club Shares and Supplies Inventory. Real Estate for sale, club shares and supplies inventory are stated at lower of cost and NRV. The Company writes down the carrying value of real estate for sale, club shares and supplies inventory whenever the NRV becomes lower than cost due to changes in estimated selling prices less cost to sell. The carrying value is reviewed at least annually for any decline in value.

The carrying values of inventories carried at cost are as follows:

	2014	2013
	(In Thousands)	
Real estate for sale (see Note 12)	**₱3,954,045**	₱3,592,276
Club shares (see Note 13)	**2,700,551**	2,810,221
Supplies inventory*(see Note 14)	**96,521**	3,778

**Included under "Other current assets" account in the consolidated statements of financial position.*

Determination of Impairment of AFS Financial Assets. The Company determines that AFS financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The Company determines that a decline in fair value of greater than 20% of cost is considered to be a significant decline and a decline for a period of more than 12 months is considered to be a prolonged decline. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates, among other factors, the normal volatility in share price for quoted equities. In addition, AFS financial assets are considered impaired when the Company believes that future cash flows generated from the investment is expected to decline significantly. The Company's management makes significant estimates and assumptions on the future cash flows expected and the appropriate discount rate to determine if impairment exists. Impairment may also be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

No provision for impairment loss was recognized in 2014, 2013 and 2012. However, as discussed in Note 11, the Company implemented the cancellation of the Swap Agreement and therefore reversed the impairment loss recognized in prior years on the shares, net of certain costs, amounting to ₱1,219.1 million. The carrying values of AFS financial assets amounted to

₱1,887.4 million and ₱1,773.8 million as at December 31, 2014 and 2013, respectively (see Notes 17 and 41).

Determination of Commencement of Amortization of Gaming License. The Company's gaming license ("License") will be amortized on a straight-line basis over the term of the License which is concurrent with Philippine Amusement and Gaming Corporation's (PAGCOR) congressional franchise set to expire in 2033. The amortization of the License commenced on December 14, 2014, the effectivty of the Notice to Commence Casino Operations issued by PAGCOR which replaced the provisional license (see Note 41).

Purchase price allocation - Estimating the fair values of acquiree's identifiable assets and liabilities and pre-existing relationship and previously held interest; goodwill and gain on bargain purchase. Where the fair values of the acquiree's identifiable assets and liabilities cannot be derived from active markets, the Company determined the fair values using internal valuation techniques and generally accepted valuation approaches. The inputs to these valuation approaches are taken from historical experience and observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The estimates may include discount rates and assumptions used in cash flow projections.

The fair values of the identifiable net assets acquired from Pacific Online 2014 amounted to ₱1,338.3 million (see Note 21). The Company accounts for the acquired businesses using the acquisition method which require extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill in the consolidated balance sheet or gain on bargain purchase in profit or loss. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial position and performance.

The acquisition of Pacific Online in 2014 has resulted in recognition of provisional goodwill amounting to ₱1,717.6 million, which remains unchanged as at December 31, 2014 (see Notes 21 and 22). Also, the acquisition by TGTI of FRI in 2014 also resulted to a goodwill of ₱110.9 million. Prior to TGTI's acquisition of FRI, TGTI has an existing consultancy arrangement with FRI which is considered as a pre-existing relationship in a business combination, thus the acquisition also resulted to recognition of loss on settlement of pre-existing relationship amounting to ₱217.4 million and deducted against the "Gain on significant acquisitions – net in the 2014 consolidated statement of comprehensive income (see Note 21).

The Company's controlling interest in Pacific Online in 2014 also requires remeasurement of previously held interest in Paficic Online and has resulted into a gain on remeasurement amounting to ₱1,096.8 million and presented under " Gain on significant acquisitions – net account in the 2014 consolidated statement of comprehensive income.

Impairment of Goodwill. The Company determines whether goodwill is impaired at least annually. This requires the estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating units and to choose a suitable discount rate to calculate the present value of those cash flows.

There is no impairment loss on goodwill in 2014. The carrying amount of goodwill amounted to ₱1,828.6 million as at December 31, 2014 (see Notes 21 and 22).

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

There were no changes in the estimated useful lives of property and equipment in 2014 and 2013.

Determination of Impairment of Nonfinancial Assets. The Company assesses whether there are any indicators of impairment for all nonfinancial assets at each reporting date. Investments in associates, investment properties, property and equipment and other assets are reviewed for impairment when there are indicators that the carrying amounts may not be recoverable. Intangible asset is reviewed annually for impairment while it is still not yet available for use. Determining the value in use of these nonfinancial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Company to conclude that such nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's consolidated financial statements.

The carrying values of nonfinancial assets subjected to impairment review as at December 31, 2014 and 2013 are as follows:

	2014	2013
	(In Thousands)	
Investments in associates - net (see Note 15)	**₱110,261**	₱992,454
Investment properties (see Note 18)	**4,432,277**	2,958,707
Property and equipment (see Note 19)	**576,817**	176,014
Intangible asset (see Note 20)	**5,249,552**	5,261,186
Other current assets* (see Note 14)	**2,084,989**	629,774

**Excluding supplies inventory, deposits, advances to officers and employees, debt service reserves and accrual accounts.*

Realizability of Deferred Tax Assets. Deferred tax assets are recognized for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable income will be available against which the deferred tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable profit together with future tax planning strategies.

The carrying value of recognized deferred tax assets amounted to ₱2,398.0 million and ₱2,238.6 million as at December 31, 2014 and 2013, respectively. Unrecognized deferred tax assets amounted to ₱766.1 million and ₱764.5 million as at December 31, 2014 and 2013, respectively (see Note 37).

Determination and Computation of Pension Cost. The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Pension asset amounted to ₱1.1 million and ₱12.5 million as at December 31, 2014 and 2013, respectively. Pension liability amounted to ₱18.8 million as at December 31, 2014 (see Note 39).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Further details about the assumptions used are provided in Note 39.

Evaluation of Legal Contingencies. The Company is currently involved in legal and administrative proceedings. The Company's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsel handling defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on its financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 42).

No provision for probable losses has been recognized in 2014, 2013 and 2012.

8. Segment Information

The primary segment reporting format is presented based on business segments in which the Company's risks and rates of return are affected predominantly by differences in the products and services provided. Thus, the operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Company is primarily in the businesses of real estate development and gaming and gaming-related activities. Others pertain to investment companies which are mostly dormant.

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate for sale, club shares, investment properties and property and equipment, net of accumulated depreciation and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable and other liabilities. Segment assets and liabilities do not include deferred income taxes, investments and advances, and borrowings.

Segment revenue, segment expenses and segment performance include transfers among business segments. The transfers, if any, are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in consolidation.

Financial information about the Company's business segments are shown below:

	2014				
	Real Estate Development	**Gaming and Gaming Related Activities**	**Others**	**Eliminations/ Adjustments**	**Consolidated**
			(In Thousands)		
Earnings Information					
Revenue	**₱2,336,086**	**₱1,091,938**	**₱1,350**	**(₱265,582)**	**₱3,163,792**
Costs and expenses	**(702,107)**	**(701,009)**	**(20,419)**	**142,021**	**(1,281,514)**
Equity in net earnings of associates	**1,286**	**147,425**	**–**	**(31,521)**	**117,190**
Interest expense	**(89,798)**	**(8,925)**	**(220,000)**	**220,000**	**(98,723)**
Interest income	**22,667**	**7,312**	**222,000**	**(222,000)**	**29,979**
Provision for income tax	**1,112,895**	**129,743**	**–**	**(1,109,169)**	**133,469**
Net profit for the year	**6,707,646**	**1,863,660**	**7,297**	**(6,021,929)**	**2,556,674**
Net profit attributable to equity holders of the parent	**6,707,646**	**1,509,240**	**7,297**	**(6,021,929)**	**2,202,253**
Other Information					
Investments in and advances to associates	**10,000,006**	**1,556,556**	**4,000,763**	**(15,463,416)**	**93,909**
Investments held for trading	**–**	**746,617**	**–**	**(483,802)**	**262,815**
Available-for-sale financial assets	**1,872,478**	**1,238,614**	**–**	**(1,223,713)**	**1,887,379**
Advances to related parties	**46,504**	**–**	**–**	**(19,577)**	**26,927**
Segment assets	**27,829,655**	**18,764,154**	**126,956**	**(7,600,720)**	**39,120,056**
Segment liabilities	**3,027,898**	**718,625**	**56,354**	**(750,469)**	**3,052,412**
Total consolidated assets	**39,748,644**	**22,305,952**	**4,127,719**	**(24,791,229)**	**41,391,086**
Total consolidated liabilities	**16,221,242**	**4,115,095**	**4,099,369**	**(10,475,501)**	**13,960,205**
Capital expenditures	**2,699,728**	**80,705**	**–**	**–**	**2,780,433**
Depreciation and amortization	**(25,130)**	**(26,871)**	**–**	**(11,364)**	**(63,635)**

	2013				
	Real Estate Development	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Earnings Information					
Revenue	₱2,689,682	₱8,068	₱–	(₱73,503)	₱2,624,247
Costs and expenses	(844,261)	(12,539)	(356)	35,856	(818,300)
Equity in net earnings of associates	6,838	113,102	–	–	119,940
Interest expense	(103,852)	-	–	–	(103,852)
Interest income	56,108	4	–	–	56,112
Provision for income tax	1,332,276	1,253	–	–	1,333,529
Net profit (loss) for the year	3,539,242	133,058	1,529	(37,645)	3,636,184
Net profit (loss) attributable to equity holders of the parent	3,542,901	133,058	1,539	(37,645)	3,639,853
Other Information					
Investments in and advances to associates	7,217,779	146,912	4,000,763	(10,387,438)	978,016
HTM investments	750,000	–	–	–	750,000
Available-for-sale financial assets	3,252,731	1,572,102	41,742	(3,092,782)	1,773,793
Advances to related parties	11,587	–	–	–	11,587
Segment assets	22,930,795	61,671	54,633	4,993,353	28,040,452
Segment liabilities	3,108,310	1,283	25	(627,756)	2,481,862
Total consolidated assets	34,162,893	1,780,684	4,097,138	(8,486,867)	31,553,848
Total consolidated liabilities	14,366,829	1,174,227	4,019,455	(8,213,747)	11,346,764
Capital expenditures	1,130,170	–	–	–	1,130,170
Depreciation and amortization	(34,382)	(415)	(142)	–	(34,939)

	2012				
	Real Estate Development	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Earnings Information					
Revenue	₱494,433	₱25,000	₱–	(₱25,000)	₱494,433
Costs and expenses	(472,650)	(17,748)	(147)	25,000	(465,545)
Equity in net earnings of associates	146,601	142,129	–	–	288,730
Interest expense	(128,151)	–	–	–	(128,151)
Interest income	116,450	3	–	–	116,453
Provision for income tax	157,231	915	–	–	158,146
Net profit (loss) for the year	408,872	148,442	(151)	(1,500)	555,663
Net profit (loss) attributable to equity holders of the parent	408,910	148,442	(132)	(1,500)	555,720
Other Information					
Investments in and advances to associates	7,795,662	151,622	764	(6,064,989)	1,883,059
HTM investments	750,000	–	–	–	750,000
Available-for-sale financial assets	24,898	1,208,497	24,409	(1,229,185)	28,619
Advances to related parties	482,469	–	–	–	482,469
Segment assets	9,722,064	28,753	53,519	12,513,959	22,318,295
Segment liabilities	2,392,297	3,428	(822)	(708,008)	1,686,895
Total consolidated assets	18,775,092	1,388,874	78,691	5,219,785	25,462,442
Total consolidated liabilities	11,836,021	824,420	19,935	(3,841,329)	8,839,047
Capital expenditures	(2,104,947)	(51)	–	–	(2,104,998)
Depreciation and amortization	(30,414)	(411)	(101)	–	(30,926)

Revenues from a certain customer in the Company's real estate development business amounted to ₱1,597.9 million and ₱1,334.7 million for the years ended December 31, 2014 and 2013, respectively.

Revenues from another customer in the Company's gaming and gaming-related activities amounted to ₱828.7 million for the year ended December 31, 2014.

The following illustrate the reconciliations of reportable segment revenues, net profit, assets and liabilities to the Company's corresponding amounts:

	2014	2013	2012
		(In Thousands)	
Revenues			
Total revenue for reportable segments	**₱3,429,374**	₱2,697,750	₱519,433
Elimination for intercompany revenue	**(265,582)**	(73,503)	(25,000)
Total consolidated revenues	**₱3,163,792**	₱2,624,247	₱494,433
Net Profit for the Year			
Total profit for reportable segments	**₱8,578,603**	₱3,673,829	₱557,163
Elimination for intercompany profits	**(6,021,929)**	(37,645)	(1,500)
Consolidated net profit	**₱2,556,674**	₱3,636,184	₱555,663
Assets			
Total assets for reportable segments	**₱39,120,056**	₱28,040,452	₱22,318,295
Investments in and advances to associates	**93,909**	978,016	1,883,059
HTM investments	**–**	750,000	750,000
AFS financial assets	**1,887,379**	1,773,793	28,619
Investments held for trading	**262,815**	–	–
Advances to related parties	**26,927**	11,587	482,469
Total consolidated assets	**₱41,391,086**	₱31,553,848	₱25,462,442

(Forward)

	2014	2013	2012
Liabilities			
Total liabilities for reportable segments	**₱3,052,408**	₱2,481,862	₱1,686,895
Loans payable	**3,000,017**	200,466	2,081,714
Long-term debt	**1,750,000**	1,502,800	4,719,165
Nontrade liability	**4,241,256**	4,000,000	–
Advances from related parties*	**75,267**	77,539	183,329
Deferred tax liabilities - net	**806,229**	836,530	167,944
Estimated liability on construction costs	**1,035,028**	2,247,567	–
Total consolidated liabilities	**₱13,960,205**	₱11,346,764	₱8,839,047

**Presented under "Trade payables and other current liabilities" account in the consolidated statements of financial position.*

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, financing (including interest expense and interest income) and income taxes are managed as a whole and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Disclosure of the geographical information regarding the Company's revenues from external customers and total assets have not been provided since all of the Company's consolidated revenues are derived from operations within the Philippines.

Capital expenditures consist of additions of property and equipment and expenditures on investment properties.

9. Cash and Cash Equivalents

This account consists of:

	2014	2013
	(In Thousands)	
Cash on hand and in banks (see Note 40)	**₱1,357,916**	₱269,184
Cash equivalents (see Note 40)	**4,968,593**	901,212
	₱6,326,509	₱1,170,396

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term investments which are made for varying periods within one day to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks, cash equivalents and short-term investments amounted to ₱17.0 million, ₱13.1 million and ₱86.3 million in 2014, 2013 and 2012, respectively (see Note 35).

10. **Investments Held for Trading**

This account consists mainly of investments of Pacific Online in quoted shares of stock of Leisure and Resorts World Corporation, Vantage Equities, Inc., APC Group, Inc., DFNN, Inc., ISM Communications Corp. and Philippine Long Distance Telephone Company.

The movements in investments held for trading during 2014 are as follows:

	Amount
	(In Thousands)
Balance at beginning of year	₱–
Assets of subsidiary accounted under acquisition method (see Note 21)	376,454
Acquisitions	30,060
Disposals (see Note 36)	(177,905)
Mark-to-market gain (see Note 36)	34,206
Balance at end of year	₱262,815

In 2014, the Company sold certain investments held for trading for ₱200.2 million.

11. **Receivables** - net

This account consists of:

	2014	2013
	(In Thousands)	
Trade receivables:		
Real estate sales	**₱625,164**	₱892,143
Equipment rental and instant scratch ticket sales	**315,912**	–
Lease income (see Note 38)	**239,543**	94,121
Gaming revenue share receivable (see Note 29)	**38,809**	–
Related parties (see Note 40)	**34,420**	20,313
Accrued interest	**1,671**	18,708
Advances to third parties and others	**351,449**	335,094
	1,606,968	1,360,379
Less allowance for doubtful accounts	**132,057**	138,005
	₱1,474,911	₱1,222,374

- Trade receivables from real estate sales are noninterest-bearing and are generally collected in installment within 3 to 5 years.
- Trade receivables from equipment rentals and sales of instant scratch tickets are generally on a 30 to 45 days credit term.
- Advances to third parties and other receivables are noninterest-bearing and generally have 90 days term.

As at December 31, 2014 and 2013, trade receivables from real estate with nominal amount of ₱921.3 million and ₱1,036.6 million, respectively, were recorded initially at fair value. The fair value of the receivables was obtained by discounting future cash flows using applicable interest rates ranging from 2.33% to 4.80% and 1.50% to 5.30% in 2014 and 2013. The unamortized discount amounted to ₱56.6 million and ₱50.4 million as at December 31, 2014 and 2013, respectively. Amortization of discount on trade receivables from real estate, shown under "Other revenue" account in the consolidated statement of comprehensive income, amounted to ₱10.0 million, ₱32.3 million and ₱29.4 million in 2014, 2013 and 2012, respectively (see Note 30).

Movement of unamortized discount on trade receivables from real estate are as follows:

	2014	2013
	(In Thousands)	
Trade receivables at nominal amount	**₱681,761**	₱942,519
Less discount on trade receivables:		
Balance at beginning of year	**50,376**	63,250
Discount recognized during the year	**16,175**	19,406
Amortization during the year (see Note 30)	**(9,954)**	(32,280)
	56,597	50,376
Balance at end of year	**₱625,164**	₱892,143

As at December 31, 2014 and 2013, the gross undiscounted trade receivables from real estate amounting to ₱28.0 million and ₱89.5 million, respectively, are assigned on a with recourse basis with BDO Unibank, Inc. (see Note 40).

Terms and conditions relating to related party receivables are disclosed in Note 40.

Movement in the allowance for doubtful accounts is as follows:

	2014			
	Trade	Related Parties	Others	Total
	(In Thousands)			
Balance at beginning of year	**₱5,773**	**₱8,656**	**₱123,576**	**₱138,005**
Provision (see Note 36)	**5,492**	**–**	**–**	**5,492**
Write-off	**(4,124)**	**(1,162)**	**(807)**	**(6,093)**
Others	**(5,347)**	**–**	**–**	**(5,347)**
Balance at end of year	**₱1,794**	**₱7,494**	**₱122,769**	**₱132,057**

	2013			
	Trade	Related Parties	Others	Total
	(In Thousands)			
Balance at beginning of year	₱5,773	₱9,198	₱31,352	₱46,323
Provision (see Note 36)	–	4,137	352	4,489
Allowance of a subsidiary accounted under pooling of interest	–	–	86,977	86,977
Others	–	(4,679)	4,895	216
Balance at end of year	₱5,773	₱8,656	₱123,576	₱138,005

Allowance for doubtful accounts is determined using specific identification method.

12. **Real Estate for Sale** - at cost

This account consists of:

	2014	2013
	(In Thousands)	
Land held for future development	**₱3,018,515**	₱2,937,309
Residential lots	**932,227**	651,664
Condominium units	**3,303**	3,303
	3,954,045	3,592,276
Real estate for sale - current	**935,530**	654,967
Real estate for sale - noncurrent	**₱3,018,515**	₱2,937,309

Land held for future development consists of properties in Tagaytay City, Batangas and Cavite. It includes certain parcels of land with a carrying value amounting to ₱985.6 million and ₱915.5 million as at December 31, 2014 and 2013, respectively, located in Batangas which are already in the Company's possession but are not yet fully paid pending the transfer of certificates of title to the Company. Outstanding payable related to the acquisition shown under "Trade and other current liabilities" account in the consolidated statement of financial position amounted to ₱166.1 million and ₱136.3 million as at December 31, 2014 and 2013, respectively (see Note 25).

A summary of the movement in inventory is set out below:

	2014	2013
	(In Thousands)	
Balance at beginning of year	**₱3,592,276**	₱2,901,335
Construction/development costs incurred	**392,172**	132,446
Disposals (recognized as cost of sales) (see Note 32)	**(125,856)**	(91,654)
Land acquired during the year	**96,470**	529,660
Assets of subsidiary accounted under pooling of interest	**–**	27,971
Other adjustments	**(1,017)**	92,518
Balance at end of year	**₱3,954,045**	₱3,592,276

13. **Club Shares** - at cost

This account consists of:

	2014	2013
	(In Thousands)	
Tagaytay Midlands Golf Club, Inc. (TMGCI) (see Note 40)	**₱1,153,519**	₱1,262,340
The Country Club at Tagaytay Highlands, Inc. (Country Club)	**802,251**	803,100
Tagaytay Highlands International Golf Club, Inc. (Tagaytay Highlands)	**652,700**	652,700
The Spa and Lodge at Tagaytay Highlands, Inc.	**92,081**	92,081
	₱2,700,551	₱2,810,221

The Company has a Development Agreement (DA) with TMGCI for the construction and development of a 36-hole golf course which was amended on December 15, 1999. The terms of the amended DA call for as many subscriptions as there are shares, such that the club shares issued by TMGCI to the Company as the development progresses were in proportion to pre-agreed amount of development cost, inclusive of the initial capital contribution.

14. Other Current Assets

This account consists of:

	2014	2013
	(In Thousands)	
Advances to contractors and suppliers – net of allowance for doubtful accounts of ₱20.3 million in 2014 and 2013	**₱1,657,762**	₱395,510
Input VAT - net of allowance for probable loss of ₱12.4 million in 2014 and ₱3.4 million in 2013	**192,708**	78,851
Creditable withholding tax - net of allowance for probable loss of ₱4.3 million in 2014 and 2013	**145,536**	60,423
Prepaid expenses and others - net of allowance for probable loss of ₱57.2 million in 2014 and 2013	**88,983**	94,990
Instant scratch tickets supplies - at cost	**65,713**	–
Spare parts and supplies - net of allowance for decline in value of ₱18.7 million in 2014 and 2013	**30,808**	3,778
Deposits	**8,615**	–
Advances to officers and employees - net of allowance for doubtful accounts of ₱3.5 million in 2014 and 2013	**3,705**	5,106
Debt service reserve and accrual account (see Note 26)	–	40,658
	₱2,193,830	₱679,316

Advances to contractors and suppliers are noninterest-bearing and are expected to be applied against future billings.

Input VAT pertains to the VAT arising from the construction of the investment properties and land under development.

Creditable withholding tax pertains to the withholding tax related to the goods sold and services rendered by the Company.

Prepaid expenses and others pertain to various prepaid expenses such as insurance, commission, subscription and refundable deposits for various contracts. In 2013, this also includes the "Other assets held for sale" relating to sale of Company's office space in Pasig City.

Advances to officers and employees are noninterest-bearing and are normally liquidated within a year.

Debt service reserve and accrual account represents funds maintained with balance at least equal to the next principal and interest payments based on the Omnibus Loan and Security Agreement (OLSA) covenants (see Note 26).

15. **Investments in and Advances to Associates** - net

This account consists of:

	2014	2013
	(In Thousands)	
Investments in associates - net of impairment in value of ₱141.9 million in 2014 and 2013	**₱110,261**	₱992,454
Advances to associates - net of allowance for doubtful accounts of ₱145.3 million in 2014 and ₱145.2 million in 2013 (see Notes 36 and 40)	**3,704,576**	3,706,490
Subscription payable	**(3,720,928)**	(3,720,928)
	₱93,909	₱978,016

Investments in Associates

Investments in the following significant associates are accounted for under the equity method:

		2014			2013		
		Percentage of Ownership			Percentage of Ownership		
Associates	Industry	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total
Belle Jai Alai Corporation (Belle Jai Alai)*	Gaming	**50.00**	–	**50.00**	50.00	–	50.00
Lucky Star Gaming Corporation (Lucky Star)*	Gaming	**49.00**	–	**49.00**	49.00	–	49.00
Woodland Development Corporation (WDC)	Real estate	**47.00**	–	**47.00**	47.00	–	47.00
APC Group, Inc. (APC)	Mining	**46.64**	**2.21**	**48.85**	46.64	2.21	48.85
Pacific Online Systems Corporation (Pacific Online)**	Gaming	–	–	–	21.53	13.41	34.94

**Non-operating*
***Considered as subsidiary effective June 5, 2014*

The associates were all incorporated in the Philippines.

Movements of investments in associates consist of:

	2014	2013
	(In Thousands)	
Acquisition cost:		
Balance at beginning of year	**₱5,792,121**	₱11,435,139
Acquisition of additional interest in an associate	**413,272**	–
Acquisition of a subsidiary accounted under acquisition method (see Note 21)	**(767,078)**	–
Acquisition of a subsidiary accounted under pooling of interest	–	(4,815,635)
Disposal through share swap	–	(827,383)
Balance at end of year	**5,438,315**	5,792,121

(Forward)

	2014	2013
	(In Thousands)	
Accumulated equity in net losses:		
Balance at beginning of year	**(₱4,667,730)**	(₱5,182,793)
Acquisition of a subsidiary accounted under acquisition method (see Note 21)	**(600,150)**	–
Equity in net earnings for the year	**117,190**	119,940
Acquisition of a subsidiary accounted under pooling of interest	**–**	553,365
Share in declared dividends	**(47,000)**	(129,896)
Disposal through share swap	**–**	(28,346)
Balance at end of year	**(5,197,690)**	(4,667,730)
Accumulated share in unrealized gain on AFS financial assets:		
Balance at beginning of year	**12,488**	20,386
Share during the year	**1,573**	(8,560)
Acquisition of a subsidiary accounted under pooling of interest	**–**	(56)
Disposal through share swap	**–**	718
Balance at end of year	**14,061**	12,488
Total	**254,686**	1,136,879
Less allowance for impairment in value	**141,924**	141,924
	112,762	994,955
Less equity in cost of Parent Company common shares held by associates	**2,501**	2,501
	₱110,261	₱992,454

The details of carrying values of the investments accounted for under the equity method, advances and subscriptions payable are as follows:

	2014		
	Carrying Values	**Advances**	**Subscription Payable**
		(In Thousands)	
Publicly listed:			
APC	**₱77,422**	**₱3,675,178**	**(₱3,675,000)**
Closely held:			
Others	**32,839**	**29,398**	**(45,928)**
	₱110,261	**₱3,704,576**	**(₱3,720,928)**

	2013		
	Carrying Values	Advances	Subscription Payable
		(In Thousands)	
Publicly listed:			
Pacific Online	₱836,480	₱–	₱–
APC	77,422	3,675,116	(3,675,000)
Closely held:			
Others	78,552	31,374	(45,928)
	₱992,454	₱3,706,490	(₱3,720,928)

Summarized financial information of the Company's associates, which are considered immaterial are as follows:

	2014	2013
	(In Thousands)	
Net income	**₱122,856**	₱253,677
Other comprehensive loss	**(2,309)**	(31,319)
Total comprehensive income	**120,547**	222,358

Investments in Highlands Prime. On August 12, 2013, the Parent Company entered into a share swap agreement with SM Land, Inc. wherein the Parent Company's investment in Highlands Prime with a total of 804,557,877 shares were exchanged for 108,615,313 SM Prime shares of SM Land, Inc., included under "AFS financial assets" account. The said transaction resulted in a gain amounting to ₱772.2 million.

Investment in Pacific Online. Pacific Online is engaged in lottery in Visayas and Mindanao. The Company's total ownership in Pacific Online increased to 51.89% as at December 31, 2014, from 34.94% as at December 31, 2013, after a series of share purchases in the secondary market at the PSE during 2014. As a result, the Company consolidates Pacific Online effective June 5, 2014. The acquisition method of accounting for business combination resulted to a goodwill of ₱1,717.6 million (see Notes 21 and 22).

Investment in Belle Bay City. Belle Bay City's major development project is a 19-hectare mixed-use real estate development along Roxas Boulevard, on a reclaimed land in Manila Bay. On June 27, 2003, the BOD of Belle Bay City approved the resolution to amend its articles of incorporation to shorten its corporate term from 50 years to end on January 31, 2004. The stockholders of Belle Bay City ratified the resolution on July 10, 2003. On January 27, 2005, the SEC approved the dissolution of Belle Bay City. On November 11, 2012, the Company received additional land as full payment of liquidating dividends from Belle Bay City amounting to ₱1,054.2 million. As a result, the Company derecognized its investment in and advances to Belle Bay City with a total carrying value of ₱514.5 million, prior to the receipt of the liquidating dividends, and recognized a gain on liquidating dividend in the consolidated statement of comprehensive income amounting to ₱539.7 million in 2012.

Investment in WDC. On June 18, 2012, WDC sold parcels of land to SM Development Corporation, a related party. Gain on sale of land amounted to ₱400.0 million. As a result of the transaction, the Company recognized an after tax gain of ₱131.6 million presented as part of "Equity in net earnings of associates" account in the 2012 consolidated statement of comprehensive income.

Subscriptions payable to APC. Belle and APC agreed that the advances of Belle to APC will be applied against subscription payable. As at December 31, 2014 and 2013, the subscription payable was presented as a reduction from advances to APC.

In February 2015, Belle and APC finalized the agreement. Accordingly, the advances and subscription payable have been settled and the corresponding shares have been issued.

Allowance for Doubtful Accounts of Advances to Associates
Movement in allowance for doubtful accounts determined using specific identification method is as follow:

	2014	2013
	(In Thousands)	
Balance at beginning of year	**₱145,233**	₱159,893
Provision during the year (see Note 36)	**40**	–
Disposal during the year	–	(14,660)
Balance at end of year	**₱145,273**	₱145,233

16. **Held-to-Maturity Investments**

This pertains to the Company's investment in SMIC Series C 6.0000% and Series D 6.9442% fixed rate retail bonds. The retail bonds were purchased and issued on July 16, 2012 at face value and will mature 7 and 10 years from the issue date, respectively. Interest payments are scheduled semi-annually. The carrying amount of the Company's held-to-maturity investments amounted to ₱750.0 million as at December 31, 2013. The Company recognized a gain of ₱31.4 million on redemption of its investments in SMIC fixed retail bonds in April 2014. The gain is included in "Other income (charges) - net" account in the consolidated statement of comprehensive income.

Interest income earned on the HTM investments amounted to ₱12.9 million, ₱38.7 million and ₱17.9 million in 2014, 2013 and 2012, respectively (see Note 35).

17. **Available-for-sale Financial Assets**

This account consists of:

	2014	2013
	(In Thousands)	
Shares of stock:		
Quoted	**₱1,879,730**	₱1,619,455
Unquoted	**2,729**	65,158
Club shares	**4,920**	89,180
	₱1,887,379	₱1,773,793

The Company intends to hold these investments indefinitely in response to liquidity requirements or changes in market conditions.

Movement in AFS financial assets consists of:

	2014	2013
	(In Thousands)	
Cost		
Balance at beginning of year	**₱3,574,829**	₱34,306
Cancellation of share swap agreement (see Note 41)	**(1,559,847)**	–
Acquisition through share swap	–	1,775,566
Assets of subsidiary accounted under pooling of interest	–	1,764,957
Reclassification and others	**(201,000)**	–
Balance at end of year	**1,813,982**	3,574,829
Unrealized gain (loss) on AFS financial assets:		
Balance at beginning of year	**(190,785)**	14,868
Increase (decrease) in fair value during the year	**277,831**	(205,653)
Balance at end of year	**87,046**	(190,785)
Allowance for impairment in value:		
Balance at beginning of year	**1,610,251**	20,555
Cancellation of share swap agreement (see Note 41)	**(1,559,847)**	–
Impairment of asset of a subsidiary accounted under pooling of interest	–	1,589,696
Others	**(36,755)**	–
Balance at end of year	**13,649**	1,610,251
	₱1,887,379	₱1,773,793

AFS financial assets also include the 46,381,600 shares of Legend International Resort H.K. (LIR-HK) held by PLC in relation to a Swap Agreement which was subsequently rescinded as further discussed in Note 41.

In 2014, TMGCI club shares amounting to ₱198.0 million were reclassified to "Club shares – at cost" in the consolidated statement of financial position.

18. **Investment Properties**

This account consists of:

	2014	2013
	(In Thousands)	
City of Dreams Manila building phase 2 - construction in progress (CIP) (see Note 26)	**₱2,891,315**	₱1,817,424
Land (see Note 26)	**1,540,962**	1,141,283
	₱4,432,277	₱2,958,707

Investment properties consist of entertainment and resort facilities still under construction, land intended for lease and land that is the subject of the operating lease agreement (see Note 38).

As at December 31, 2014 and 2013, borrowing costs amounting to ₱191.3 million and ₱111.0 million, respectively, have been capitalized as part of investment properties under construction (see Notes 24 and 26). The average capitalization rates used were 3.9% and 3.8% in 2014 and 2013, respectively. Movements in investment properties are as follows:

	2014	2013
	(In Thousands)	
Balance at beginning of year	**₱2,958,707**	₱5,584,824
Additions	**1,393,285**	3,919,175
Capitalized borrowing costs, including amortization of debt discount (see Notes 24 and 26)	**80,285**	111,023
Assets of a subsidiary accounted under pooling of interest	–	394,210
Derecognized asset under finance lease	–	(7,050,525)
Balance at end of year	**₱4,432,277**	₱2,958,707

Land and entertainment and resort buildings amounting to ₱2,642.3 million as at December 31, 2013 were mortgaged as security for the Company's long-term loans payable, which was pre-terminated in May 2014 (see Note 26).

Construction cost of the City of Dreams Manila building phase 1, amounting to ₱7.1 billion, was derecognized and accounted for as finance lease in 2013 (see Note 38). Related estimated liability on construction costs, representing estimated cost to complete building phase 1, amounted to ₱1.0 billion and ₱2.2 billion as of December 31, 2014 and 2013, respectively. Resulting gain on finance lease amounted to ₱2.3 billion and separately shown in the 2013 consolidated statement of comprehensive income.

Construction costs for the City of Dreams Manila building phase 2 were derecognized and accounted for as a finance lease on January 1, 2015.

The carrying value of the investment properties approximates the aggregate fair value as of December 31, 2014 and 2013. The fair values were determined based on a cost approach valuation technique using current material and labor costs and categorized under Level 3 of the fair value hierarchy. The current use of all investment properties is their highest and best use.

19. Property and Equipment

The rollforward analysis of this account follows:

	2014							
	Lottery Equipment	**Land and Leasehold Improvements**	**Machinery and Equipment**	**Condominium Units and Improvements**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Construction-in-progress**	**Total**
	(In Thousands)							
Cost								
Balance at beginning of year	**₱–**	**₱252,248**	**₱226,289**	**₱243,769**	**₱39,304**	**₱78,998**	**₱5,082**	**₱845,690**
Assets of subsidiary accounted under acquisition method (see Note 21)	**292,583**	**21,055**	**–**	**–**	**24,025**	**46,790**	**–**	**384,453**
Additions	**31,097**	**2,775**	**13,014**	**18**	**19,852**	**37,779**	**–**	**104,535**
Disposal	**(202)**	**–**	**–**	**–**	**(16,714)**	**–**	**–**	**(16,916)**
Reclassifications/adjustments	**–**	**–**	**–**	**–**	**–**	**–**	**40,862**	**40,862**
Balance at end of year	**323,478**	**276,078**	**239,303**	**243,787**	**66,467**	**163,567**	**45,944**	**1,358,624**

(Forward)

	2014							
	Lottery Equipment	**Land and Leasehold Improve-ments**	**Machinery and Equipment**	**Condominium Units and Improve-ments**	**Trans-portation Equipment**	**Office Furniture, Fixtures and Equipment**	**Construction-in-progress**	**Total**
	(In Thousands)							
Accumulated Depreciation, Amortization and Impairment Loss								
Balance at beginning of year	**₱–**	**₱240,393**	**₱161,403**	**₱165,120**	**₱32,879**	**₱69,881**	**₱–**	**₱669,676**
Depreciation and amortization for the year (see Notes 31, 33 and 34)	**62,447**	**8,697**	**10,996**	**10,807**	**11,169**	**24,810**	**–**	**128,926**
Disposal	**(81)**	**–**	**–**	**–**	**(16,714)**	**–**	**–**	**(16,795)**
Reclassifications/adjustments	**–**	**–**	**651**	**(653)**	**–**	**2**	**–**	**–**
Balance at end of year	**62,366**	**249,090**	**173,050**	**175,274**	**27,334**	**94,693**	**–**	**781,807**
Net Book Value	**₱261,112**	**₱26,988**	**₱66,253**	**₱68,513**	**₱39,133**	**₱68,874**	**₱45,944**	**₱576,817**

	2013						
	Land and Leasehold Improvements	Machinery and Equipment	Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction-in-progress	Total
	(In Thousands)						
Cost							
Balance at beginning of year	₱253,463	₱188,914	₱260,095	₱74,874	₱77,057	₱5,082	₱859,485
Additions	1,128	37,378	–	1,072	2,243	–	41,821
Disposal	–	–	(20,821)	(38,065)	–	–	(58,886)
Reclassifications/adjustments	(2,343)	(3)	4,495	1,423	(302)	–	3,270
Balance at end of year	252,248	226,289	243,769	39,304	78,998	5,082	845,690
Accumulated Depreciation, Amortization and Impairment Loss							
Balance at beginning of year	235,263	152,063	183,527	64,534	63,815	–	699,202
Depreciation and amortization for the year (see Note 34)	4,866	7,639	13,310	4,493	4,631	–	34,939
Disposal	–	–	(16,553)	(38,065)	–	–	(54,618)
Reclassifications/adjustments	264	1,701	(15,164)	1,917	1,435	–	(9,847)
Balance at end of year	240,393	161,403	165,120	32,879	69,881	–	669,676
Net Book Value	₱11,855	₱64,886	₱78,649	₱6,425	₱9,117	₱5,082	₱176,014

Allowance for impairment loss on property and equipment amounted to ₱186.3 million as at December 31, 2014 and 2013.

The Company has disposed of certain property and equipment at a gain of ₱0.5 million, ₱72.0 million and ₱0.6 million in 2014, 2013 and 2012, respectively (see Note 36).

The cost of fully depreciated property and equipment which are still being used amounted to ₱303.6 million and ₱298.1 million as at December 31, 2014 and 2013, respectively. The Company has no idle assets as at December 31, 2014 and 2013.

20. Intangible Asset

Intangible asset pertains to the "License" granted by PAGCOR for which PLAI is a co-licensee to operate integrated resorts, including casinos. The License runs concurrent with PAGCOR's Congressional Franchise, set to expire in 2033 (see Note 41).

The License has a total carrying value of ₱5,249.6 million and ₱5,261.2 million as at December 31, 2014 and 2013, respectively and was pledged as a security for the Company's long-term loans payable as at December 31, 2013. The long-term loans payable was pre-terminated in May 2014. As a result, the License is not pledged as a security as at December 31, 2014.

The amortization of the intangible asset on the License started on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR. For the year ended December 31, 2014, amortization of intangible asset amounting to ₱11.6 million was presented as part of "Depreciation and amortization" expense under "General and administrative expenses" in the 2014 consolidated statement of comprehensive income (see Note 34).

21. Significant Acquisitions and Business Combinations

Acquisition of Additional Interest in Pacific Online

The Company's total ownership in Pacific Online increased to 51.9% as at December 31, 2014, from 34.94% as at December 31, 2013, after a series of share purchases in the secondary market at the Philippine Stock Exchange (PSE) during 2014. As a result, the Company consolidates Pacific Online effective June 5, 2014. This transaction is a business combination achieved in stages and accounted using acquisition method. The primary reason for acquiring additional interest in Pacific Online was to expand the Company's share in the gaming business.

The computation for the gain on the remeasurement of the Company's previously held interest in Pacific Online is as follows:

	Amount
	(In Thousands)
Fair value of investment before obtaining control	₱2,464,016
Less total investment carrying value before obtaining control:	
Cost of investment before obtaining control (see Note 15)	767,078
Accumulated equity in net earnings of Pacific Online before obtaining control (see Note 15)	600,150
	1,367,228
Gain on remeasurement of investment in Pacific Online	₱1,096,788

The gain on remeasurement of investment is presented under "Gain on significant acquisitions – net" in the 2014 consolidated statement of comprehensive income.

The acquisition of Pacific Online was accounted for based on provisional fair values of the identifiable assets and liabilities as at the date of the acquisition as follows:

	Provisional Fair Values
	(In Thousands)
Cash and cash equivalents	₱153,993
Receivables	703,608
Investments held for trading (Note 10)	376,454
Other current assets	120,113
Property and equipment (Note 19)	384,453
Other noncurrent assets	59,717
Total identifiable assets *(Carried Forward)*	1,798,338

	Provisional Fair Values
	(In Thousands)
Total identifiable assets *(Brought Forward)*	₱1,798,338
Less:	
Trade and other current liabilities	362,592
Other noncurrent liabilities	97,406
Total identifiable liabilities	459,998
Total identifiable net assets at fair value	1,338,340
Goodwill arising from acquisition (see Note 22)	1,717,644
	3,055,984
Non-controlling interest measured at proportionate share of the provisional fair value	(665,879)
	₱2,390,105

	Amount
	(In Thousands)
Fair value of investment after remeasurement of previously held interest	₱2,464,016
Purchase cash consideration	255,694
Total consideration	2,719,710
Consideration allocated to treasury shares and non-controlling interest in PLC	(329,605)
Purchase consideration transferred	₱2,390,105

The provisional goodwill of ₱1,717.6 million represents the value of expected synergies arising from the business combination.

The gross amount and the fair value of receivables amounted to ₱715.4 million and ₱703.6 million, respectively. The Company expects to collect an amount equal to the fair value of the Pacific Online's receivables at acquisition date.

The purchase price allocation is subject to finalization pending the identification of potential intangible assets.

The total consideration of ₱2,719.7 million included a consideration allocated to a pre-existing relationship with Pacific Online. Pacific Online held shares in the Parent Company and PLC at acquisition date. This was accounted for as acquisition of treasury shares, recorded under "Cost of Parent Company common and preferred shares held by subsidiaries" account, and non-controlling interest in PLC amounting to ₱328.1 million and ₱1.5 million, respectively.

Transaction costs amounting to ₱0.4 million were recognized under "General and administrative expenses" in 2014.

The Company's consolidated revenue and net income would have increased by ₱700.8 million and would have decreased by ₱193.0 million, respectively, for the year ended December 31, 2014 had the acquisition of additional interest in Pacific Online taken place on January 1, 2014. Total revenue and net income of Pacific Online included in the consolidated statement of comprehensive for 2014 are ₱1,030.3 million and ₱124.6 million, respectively.

The net cash outflow on the acquisition is as follows:

	Amount
	(In Thousands)
Purchase consideration	₱255,694
Transaction costs (presented under operating activities)	409
Cash and cash equivalents acquired from the subsidiary	(153,993)
	₱102,110

Acquisition of Falcon Resources Inc. (“FRI”)
On June 16, 2014, TGTI, a subsidiary of Pacific Online, and the shareholders of Falcon Resources Inc. (FRI) entered into a Memorandum of Understanding (MOU) for the former’s intention to acquire the latter’s interest in FRI representing 100% ownership. As at December 11, 2014, the Deed of Sale for the transfer of shares of stock has been executed. FRI is a company engaged in consultancy services for TGTI and a sub-distributor for Pacific Online. FRI is a company incorporated in the Philippines.

The acquisition of FRI was accounted for based on provisional fair values of the identifiable assets and liabilities as at the date of the acquisition as follows:

	Provisional Fair Values
	(In Thousands)
Cash and cash equivalents	₱38,685
Receivables	20,272
Other current assets	13,072
Other noncurrent assets	1,072
Total identifiable assets	73,101
Less accounts payable	51,475
Total identifiable net assets at fair value	21,626
Goodwill arising from acquisition (see Note 22)	110,934
Purchase consideration transferred	₱132,560

	Amount
	(In Thousands)
Total consideration	₱350,000
Consideration allocated to the cost of settlement of a pre-existing relationship	(217,440)
	₱132,560

The net assets acquired at the date of acquisition were based on a provisional assessment of fair value. Pacific Online engaged an independent valuation of FRI’s lotto distribution and consultancy businesses for purchase price allocation purposes.

The goodwill of ₱110.9 million represents the fair value of expected synergies arising from the acquisition of FRI by TGTI.

The gross amount and the fair value of receivables of FRI amounted to ₱22.0 million and ₱20.3 million, respectively, at acquisition date. The Company expects to collect an amount equal to the fair value of the Pacific Online’s receivables at acquisition date.

The provisional allocation of the consideration based on relative fair values of FRI's businesses is as follows:

	Fair market values	Allocation rate	Consideration
	(In Thousands)		*(In Thousands)*
Business combination - distribution business	₱134,174	38%	₱132,560
Settlement of a pre-existing relationship - consultancy business	220,088	62%	217,440
	₱354,262		₱350,000

The total consideration of ₱350.0 million included a consideration allocated to a pre-existing relationship with FRI. TGTI and FRI effectively terminated their consultancy services agreement between as a result of the acquisition. Accordingly, ₱217.4 million loss was recognized and presented under "Gain on significant acquisitions - net" in the 2014 consolidated statement of comprehensive income.

The Company's consolidated revenue and net income would have increased by ₱13.0 million and ₱2.1 million, respectively, for the year ended December 31, 2014 had the acquisition of FRI taken place on January 1, 2014. Total revenue and net income of FRI included in the 2014 consolidated statement of comprehensive amounted to ₱1.1 million and ₱0.2 million, respectively.

The net cash outflow on the acquisition is as follows:

	Amount
	(In Thousands)
Settlement of a pre-existing relationship (presented under operating activities)	₱217,440
Purchase consideration	132,560
Cash and cash equivalents acquired from the subsidiary	(38,685)
	₱311,315

Acquisition of non-controlling interest in PLC

Parallax and SLW (wholly owned subsidiaries) acquired additional interest in PLC on April 23, 2013 for a total consideration of ₱340.0 million. The acquisition of additional shares by Parallax and SLW resulted to the Parent Company acquiring control over PLC with effective ownership interest of 58.1% as of April 2013 through December 31, 2013. The pooling of interest method was applied since Parallax, SLW and PLC are entities under common control. The excess of cost over PLC's net assets at the time of acquisition amounting to ₱252.0 million is recorded in equity as "Excess of cost over net asset value of an investment."

22. Goodwill

Goodwill acquired from business combinations as at December 31, 2014 consist of:

	Amount
	(In Thousands)
Acquisition of:	
Pacific Online (see Note 21)	₱1,717,644
FRI (see Note 21)	110,934
	₱1,828,578

The goodwill from the acquisition of Pacific Online and FRI have not been subjected to the annual impairment review in 2014 pending the finalization of the purchase price allocation. The Company did not identify any impairment indicators relating to Pacific Online's and FRI's goodwill as at December 31, 2014 as it expects to realize the synergies from the business combinations.

23. Other Noncurrent Assets

This account consists of:

	2014	2013
	(In Thousands)	
Deferred input VAT	**₱711,779**	₱399,830
Guarantee bonds (see Notes 25 and 41)	**40,000**	–
Refundable deposits and construction bond	**17,930**	16,992
Others	**8,375**	–
	₱778,084	₱416,822

24. Loans Payable

Loans payable represents peso-denominated loans obtained from local banks with interest ranging from 3.8% to 5.5% in 2014 and 4.3% to 5.3% in 2013. Loans payable have historically been renewed or rolled-over.

The Parent Company availed unsecured loans from various banks amounting to ₱5,300.0 million and made principal repayments amounting to ₱2,500.5 million. The carrying amount of outstanding loans payable amounted to ₱3,000.0 million and ₱200.5 million as at December 31, 2014 and 2013, respectively.

The interest expense on loans payable charged to operations amounted to ₱75.1 million, ₱40.0 million, ₱75.2 million in 2014, 2013 and 2012 respectively (see Note 35).

Interest expense on loans payable amounting to ₱49.8 million was capitalized as part of investment properties in 2014. No interest expense was capitalized in 2013 and 2012 (see Note 18).

25. **Trade and Other Current Liabilities**

This account consists of:

	2014	2013
	(In Thousands)	
Trade	**₱1,694,049**	₱1,188,110
Accrued expenses	**464,883**	554,152
Deferred income	**195,001**	200,496
Payables pertaining to land acquisitions (see Note 12)	**166,074**	136,257
Advances from related parties (see Note 40)	**75,267**	77,539
Customers' deposits	**22,473**	23,559
Consultancy, software and license, and management fees payable	**17,088**	–
Refundable deposit and others	**295,505**	289,739
	₱2,930,340	₱2,469,852

- Trade payables are non-interest bearing with an average term of 90 days.

- Accrued expenses pertain to accruals for land transfer fees, selling, professional fees, management fees, interest, salaries and rent expenses, taxes, rent, utilities and professional fees which are normally settled with an average term of 30 to 90 days.

- Deferred income represents unamortized discount on refundable deposits related to lease transactions (see Notes 38 and 41).

- Payables pertaining to land acquisitions represent unpaid purchase price of land acquired from various land owners in Tagaytay City, Batangas and Cavite (see Note 12). These are noninterest-bearing and are due and demandable.

- Customers' deposits pertain to collections received from buyers for projects with pending recognition of sale.

- Consultancy, software and license fees, and management fees payable relate to the following agreements:

  a. Consultancy Agreements

     Pacific Online and its subsidiaries hired the services of several consultants for its gaming operations. Consultancy fees are based on a certain percentage of the gross amount of ticket sales of certain variants of lottery operations of PCSO. Consultancy fees amounted to ₱46.6 million in 2014 (see Note 31).

  b. Scientific Games

     On February 15, 2005, Pacific Online entered into a contract with Scientific Games, a company incorporated under the laws of the Republic of Ireland, for the supply of computer hardware and operating system software. Under the terms of the "Contract for the Supply of the Visayas-Mindanao Online Lottery System," Scientific Games will provide 900 online lottery terminals and terminal software necessary for Pacific Online's leasing operations. In consideration, Pacific Online shall pay Scientific Games a pre-agreed percentage of its revenue from PCSO's conduct of online lottery games using the computer hardware and operating system provided by Scientific Games. The Contract shall continue as long as Pacific Online's Equipment Lease Agreement (ELA) with PCSO is in effect.

On October 2, 2012, Pacific Online and Scientific Games amended the lottery terminals and terminals software agreement dated February 5, 2005 wherein Scientific Games will provide Pacific Online with a license extension for the terminal software for a period from April 1, 2013 until August 31, 2015, and for the supply of additional terminals for the 2012 Amended ELA.

Scientific Games will supply to Pacific Online approximately two thousand (2,000) additional terminals ("additional terminals") at an agreed price of US$150.00 per terminal plus a pre-agreed percentage share of gross sales generated by the additional terminals for both VISMIN and Luzon operations.

During the extension period, any additional terminals not connected to the software provided by Scientific Games will require an Inactive Terminal Fee of US$25.00 per terminal per month. Software and license fees amounted to ₱36.2 million in 2014 (see Note 31).

c. Intralot

i) On March 13, 2006, Pacific Online entered into a contract with Intralot, a company incorporated under the laws of Greece, for the supply of online lottery system necessary for the operation of a new online lottery system effective December 8, 2006. Under the terms of the "Contract for the Supply of the Visayas-Mindanao Online Lottery System," Intralot will provide Pacific Online the hardware, operating system software and terminals (collectively referred to as the "System") and the training required to operate the System. In consideration, Pacific Online shall pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery games running on the System, including without limitation, the revenue from the ELA contract or a fixed amount of US$110 per terminal per month, whichever is higher. The Contract shall continue as long as Pacific Online's ELA with PCSO is in effect.

   On July 10, 2006, Intralot entered into an agreement with Intralot Inc., a subsidiary domiciled in Atlanta, Georgia, wherein Intralot assigned to Intralot, Inc. the whole of its contract with Pacific Online, including all its rights and obligations arising from it.

   On August 16, 2012, Pacific Online and Intralot further agreed to amend the supply agreement for the latter to supply reconditioned or refurbished lotto terminals to the former. These additional terminals are ordered to enable Pacific Online to serve the requirements of PCSO in the 2012 Amended ELA. However, Pacific Online has the option to order from Intralot brand new lotto terminals at a higher price per unit. Pacific Online will pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's online lottery operations in Luzon or US$110.00 per terminal whichever is higher.

   On September 6, 2013, Pacific Online and Intralot further agreed to amend the supply agreement for the latter to provide for additional terminals to enable Pacific Online to expand its online lottery operations. Furthermore, effective April 1, 2013, Pacific

Online and Intralot agreed to lower the percentage of revenues paid by the former to the latter.

Software and license fees amounted to ₱45.4 million in 2014 (see Note 31).

ii) TGTI has a contract with Intralot for the supply of online lottery system (lottery equipment) accounted for as a finance lease. TGTI is being charged a certain percentage of equipment rental from the revenue from PCSO. On July 15, 2008, the Lease Contract between TGTI and Intralot was modified such that instead of receiving monthly remuneration calculated on a percentage basis of the gross receipts of TGTI from ELA, Intralot will now receive monthly remuneration calculated on a percentage basis of the Gross Receipts of PCSO from its Online Keno games. On March 22, 2011, the Lease Contract between TGTI and Intralot was further modified to reduce the percentage charged by Intralot to TGTI and that TGTI undertakes a letter of guarantee amounting to ₱20.0 million not later than March 28, 2011 in order for TGTI to secure the payment of Intralot's remuneration. The said guarantee bond is recognized under "Other noncurrent assets" account in the 2014 consolidated statement of financial position (see Note 23).

d. Management Agreement

Pacific Online and its subsidiaries entered into a Management Agreement with AB Gaming and Leisure Exponent Specialist, Inc. ("Manager") for the latter to provide investment and management counsel and to act as manager and overseer of its operations. In consideration of the Manager's services, Pacific Online shall pay a monthly fee of ₱0.1 million and an amount equivalent to ten percent (10%) of the annual earnings before interest, taxes, depreciation, and amortization (EBITDA). Management fees amounting to ₱28.1 million in 2014 was presented as part of "Professional fees" account under "General and administrative expenses" in the 2014 consolidated statement of comprehensive income (see Note 34).

26. **Long-term Debt**

This account consists of the following:

	2014	2013
	(In Thousands)	
Loans	**₱1,750,000**	₱535,800
United States (US) Dollar floating rate notes (FRNs)	–	977,210
	1,750,000	1,513,010
Less debt issuance costs	–	10,210
	1,750,000	1,502,800
Current portion of long-term debt	**(12,500)**	(1,034,210)
Noncurrent long-term debt	**₱1,737,500**	₱468,590

FRNs
US dollar denominated borrowings of $22.0 million was translated using the exchange rate of ₱44.40 to US$1.0 at December 31, 2013 or ₱977.2 million. This borrowing is part of principal amount of US$150.0 million that was originally due in May 2002 but was extended until May 2014. These FRNs are in bearer form and are issued in denominations of approximately US$250,000, with coupons attached at the time of issue.

The following are the significant terms and features of the US$22.0 million FRNs:

Interest Payment	2% p.a. over 6-month London Interbank Offered Rate (LIBOR) payable semi-annually in arrears in May and November of each year, starting May 2003 and up to maturity.
Redemption at the Option of the Parent Company	On certain conditions provided for in the terms of the FRNs.
Repurchase	The Parent Company and any of its subsidiaries may purchase the FRNs provided that all unmatured coupons relating thereto are purchased therewith.
Reissuance	All FRNs redeemed or purchased and any unmatured coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.
Restrictions and Covenants	The Parent Company or any of its subsidiaries or any other person will not create or permit to be outstanding any security upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any relevant indebtedness or any guarantee of or indemnity in respect of any relevant indebtedness according to the FRNs equal and ratable security or without having first obtained the approval of the Noteholders by extraordinary resolution. The Parent Company also ensures that its payment obligations in respect of the FRNs rank at least pari passu with all its other unsecured obligations in respect of any indebtedness incurred by it under arrangements entered into after the date of issue of the FRNs.

Interest expense on FRNs amounted to ₱8.8 million, ₱34.0 million and ₱27.7 million in 2014, 2013 and 2012, respectively (see Note 35). In May 2014, the Parent Company fully paid the FRNs.

Loan Facilities

BDO
On December 1, 2010, the Parent Company (Borrower) obtained a loan facility in the amount of ₱5,600.0 million from BDO (Lender) for the purpose of financing the construction of entertainment and resort facilities. The first drawdown amounting to ₱570.0 million was made on April 13, 2011.

The following are the significant terms and features of the ₱5,600.0 million loan facility:

Drawdowns	The loan facility is available any time and from time to time during the period beginning on December 1, 2010 and ending on the earliest of: (i) the date occurring 2 years thereafter, (ii) the date the Commitment is fully drawn by the Borrower, or (iii) the date the Commitment is cancelled or terminated in accordance with the provisions of the OLSA. Any amount of the commitment that remains undrawn after the availability period shall be automatically cancelled. On October 29, 2012, BDO has approved the extension of availability period from December 1, 2012 to April 13, 2014, subject to the terms and conditions relating to the Availability Period remaining the same, including the requirement for the Borrower to pay all applicable commitment fees.
Repayment	The Borrower shall repay the principal of the Loan in 21 consecutive quarterly installments on each Repayment Date commencing on the 24th month from the Initial Drawdown Date.
Interest Payment	The Lender shall determine the interest rate that would apply for the relevant interest period, based on the applicable interest reference rate plus the applicable spread, and promptly give notice thereof to the Borrower and BDO – Trust and Investments Group, the Security Trustee. Interest on the unpaid principal amount of each Advance at the interest rate on each interest payment date for the interest period then ending should be paid by the Borrower.

The embedded early redemption and prepayment options are clearly and closely related to the host debt contract; thus, are not required to be bifurcated and accounted for separately in the host contract.

The Parent Company's loans payable is secured by all of its lease and project receivables, an assignment of all rights, title and interest of the Company to its existing project agreements and performance guarantee and first ranking real estate mortgage on the present and future real assets with the Lender (see Notes 18 and 20).

The carrying values of nonfinancial assets pledged as collateral for these loans in 2013 are as follows:

	Amount
	(In Thousands)
Entertainment and resort building, and hotel buildings classified under "Investment properties" (see Note 18)	₱1,817,424
Intangible asset (see Note 20)	5,261,186
Land classified under "Investment properties" (see Note 18)	824,902
	₱7,903,512

OLSA amounting to ₱535.8 million and ₱3,391.2 million were preterminated in 2014 and 2013, respectively. The Company used the proceeds from the release of Escrow fund to settle the said loans.

Debt Issuance Cost. As at December 31, 2013, loan transaction costs consisting of documentary stamp tax, professional fees and underwriting fees amounting to ₱10.2 million were capitalized and presented as deduction from the related loan balance. Amortization of debt issuance cost amounting to ₱10.2 million and ₱12.9 million in 2014 and 2013, respectively, was capitalized as part of “Investment properties” account in the consolidated statement of financial position (see Note 18).

Covenants. OLSA contains, among others, provisions regarding the maintenance of certain financial ratios such as debt service coverage ratio, debt-to-equity ratio, current ratio and maintenance of debt service reserve and accrual account (see Note 14). On the settlement date and as at December 31, 2013, the Parent Company has complied with these covenants.

On June 27, 2014, the Company has fully paid the OLSA with BDO, thus extinguishing the pledge on the nonfinancial assets mentioned above.

Maybank Philippines, Inc. (Maybank)
On June 30, 2014, Belle obtained a five-year term loan from Maybank in the amount of ₱1,000.0 million for the purpose of financing the construction of Phase 1 City of Dreams Manila. The five-year term loan shall be availed within one year from the signing of the loan agreement and bears an interest floater rate based on applicable 90-days Philippine Dealing System Treasury Reference Rate-Fixing (“PDST-F”) plus spread and fixed rate based on 5-year PDST-F plus spread. During the term of the loan Belle agrees not to sell, lease, dispose any of its assets on the City of Dreams Manila without prior written consent from Maybank and comply with the following financial covenants: current ratio of 1x and debt to equity ratio of 2x. Amounts of ₱150.0 million and ₱100.0 million were drawn from the facility on August 26, 2014 and September 22, 2014, respectively.

Rizal Commercial Banking Corporation (RCBC)
On June 9, 2014, Belle obtained a five-year term loan, reckoned from the date of the initial drawdown, from RCBC in the amount of ₱1,500.0 million for the purpose of financing the construction of real estate developments projects in Tagaytay Highlands and Tagaytay Midlands area and conversion and titling costs of raw lands. The five-year term loan bears a floor rate interest 5.5% plus spread. Amounts of ₱400.0 million, ₱200.0 million ₱900.0 million were drawn on July 9, 2014, September 30, 2014 and November 12, 2014, respectively.

Covenants. The loan agreements provide certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control. As at December 31, 2014 and 2013, the Parent Company is in compliance with the terms of its loan covenants.

Repayment Schedule
The repayments of long-term debt are scheduled as follows:

	Amount *(In Thousands)*
2015	₱12,500
2016	150,000
2017	150,000
2018	150,000
2019	1,250,000
2020	37,500
	₱1,750,000

Interest expense on loans from long-term debt amounting to ₱30.5 million, ₱111.0 million and ₱156.7 million in 2014, 2013 and 2012, respectively, were capitalized as part of "Investment properties" account in the consolidated statements of financial position (see Note 18).

27. Nontrade Liability

On May 20, 2013, Belle, PLAI, BGRHC, ABLGI and LRWC entered into a Memorandum of Agreement, whereby Belle and PLAI have agreed to grant ABLGI the right to the settlement of amounts equivalent to 30% of the net lease income of the City of Dreams Manila located at Aseana Business Park in Paranaque City (the "Project") in consideration of the waiver of ABLGI's rights as casino operator, the termination ABLGI agreements and the grant of advances of ₱4,000.0 million (ABLGI advance) as funding for the construction of the casino integrated resort building. As at December 31, 2013, the settlement amounts of ₱283.5 million was presented as "ABLGI payments" pending finalization of the terms and repayment periods under the implementing agreement (see Note 34). The carrying value of nontrade liability amounted to ₱4,000.0 million as at December 31, 2013.

In December 2014, the implementing agreement has been executed with effectivity of terms and conditions retrospective January 1, 2014. The ₱4,000.0 million ABLGI Advance was determined as the fair value of ABLGI's 30% share in the net lease income of the Project. Such liability shall be accreted over the lease term using implicit interest rate of 13.13% per annum. The interest component of the ABGLI Advance amounting to ₱533.3 million is recognized as "Accretion of nontrade liability" in the 2014 consolidated statement of comprehensive income. Payments made to ABLGI amounted to ₱292.0 million in 2014. The carrying value of nontrade liability amounted to ₱4,241.3 million as at December 31, 2014.

28. Equity

Capital Stock

The composition of the Company's shares of stock follows:

	2014		2013	
	Number of Shares	**Amount**	Number of Shares	Amount
Preferred stock:				
Authorized - ₱1 par value	**6,000,000,000**	**₱6,000,000,000**	6,000,000,000	₱6,000,000,000
Issued	**-**	**-**	1,000,000,000	1,000,000,000
Common:				
Authorized - ₱1 par value	**14,000,000,000**	**₱14,000,000,000**	14,000,000,000	₱14,000,000,000
Issued	**10,559,382,799**	**10,559,382,799**	10,559,382,799	10,559,382,799

The following are the salient features of the preferred shares:

Voting rights/convertibility	Non-voting and non-convertible
Dividends	9.75% per annum, cumulative. Holders shall be entitled to receive out of the net profits or net assets of the Company available for dividends when and as declared by the BOD.
Others	All shares of preferred stock of the same class shall rank equally and be identical in all respects regardless of series unless otherwise specified by the BOD, and if shares of any one series are issued at different terms, the subsequently issued shares need not be entitled to receive dividends previously paid on the outstanding shares of such series.

As at December 31, 2013, the preferred shares are held by PLC. In 2009, PLC agreed to the renunciation of its rights to all past, present and future dividends. PLC also agreed to the revocation of the coupon rate originally provided for the preferred shares. On July 22, 2014, Belle and PLC executed a Memorandum of Agreement for the redemption of 1,000,000,000 preferred shares by Belle for a cash consideration of ₱1,000.0 million.

The following summarizes the information on the Parent Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
August 20, 1973	6,000,000,000	6,000,000,000	₱0.01
March 19, 1976	2,000,000,000	464,900,000	0.01
December 7, 1990	–	920,000,000	0.01
1990	–	833,500,000	0.01
October 19,1990	(7,000,000,000)	(8,136,216,000)	0.01
June 18, 1991	–	3,381,840	0.01
1991	–	47,435,860	1.00
1992	–	11,005,500	1.00
December 7, 1993	–	473,550,000	1.00
1993	–	95,573,400	1.00
January 24, 1994	–	100,000,000	1.00
August 3, 1994	–	2,057,948	7.00
August 3, 1994	–	960,375	10.00
June 6, 1995	–	138,257,863	1.00
February 14, 1995	1,000,000,000	–	1.00
March 8, 1995	–	312,068,408	1.00
March 17, 1995	2,000,000,000	–	1.00
March 28, 1995	–	627,068,412	1.00
July 5, 1995	–	78,060,262	1.00
September 1, 1995	–	100,000,000	1.00
March 1, 1995	–	94,857,072	1.00
September 13, 1995	–	103,423,030	1.00
1995	–	123,990,631	1.00
1996	–	386,225,990	1.00

(Forward)

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
February 21, 1997	10,000,000,000	–	₱1.00
1997	–	57,493,686	1.00
1998	–	36,325,586	1.00
March 19, 1999	–	16,600,000	1.00
April 26, 1999	–	450,000,000	1.00
April 27, 1999	–	300,000,000	1.00
1999	–	306,109,896	1.00
2000	–	2,266,666	1.00
2001	–	2,402,003,117	1.00
April 14, 2011	–	2,700,000,000	1.95
July 18, 2011	–	119,869,990	3.00
July 18, 2011	–	1,388,613,267	3.00
	14,000,000,000	10,559,382,799	

In a special meeting on November 18, 1989, the stockholders approved the increase in par value of capital stock from ₱0.01 to ₱1.00 and the decrease in the number of shares of authorized from 8.0 billion to 1.0 billion common shares. The resulting increase in par and reduction in the number of shares was approved by the Philippine Securities and Exchange Commission (SEC) on October 19, 1990.

On February 14, 1995, the SEC approved the increase in authorized capital stock from 1.0 billion shares with a par value of ₱1.00 to 2.0 billion shares with the same par value. Subsequently, on March 17, 1995, the SEC approved another increase in authorized capital stocks from 2.0 billion shares to 4.0 billion shares with the same par value.

On February 21, 1997, the SEC approved the increase in the authorized capital stock from 4.0 billion shares at a par value of ₱1.00 per share to 20.0 billion shares divided into 6.0 billion preferred shares and 14 billion common shares, both at ₱1.00 par value.

The Parent Company declared stock dividends in 1991 and 1995. The total number of shareholders of the Parent Company is 1,855 and 2,013 as at December 31, 2014 and 2013, respectively.

<u>Cost of Parent Company Shares Held by Subsidiaries</u>
Details of this account as at December 31, 2014 and 2013 are shown below:

	2014	2013
	(In Thousands)	
Cost of Parent Company Common and Preferred Held by Subsidiaries	**₱1,499,985**	₱2,152,792
Loss on Disposal of Parent Company Common Shares Held by Subsidiaries	**104,839**	104,839
	₱1,604,824	₱2,257,631

Parallax, SLW, PLC, Pacific Online and other subsidiaries collectively hold 400,144,441 and 336,489,747 common shares of the Parent Company as at December 31, 2014 and 2013, respectively. These are presented as “Cost of Parent Company common and preferred shares held by subsidiaries” in the consolidated statement of financial position.

Retained Earnings

The Parent Company's retained earnings available for dividend declaration, computed based on the regulatory requirements of SEC amounted to □6,378.5 million and □417.7 million as at December 31, 2014 and 2013, respectively. The difference between the consolidated retained earnings and the Parent Company's retained earnings available for dividend declaration primarily consists of undistributed earnings of subsidiaries and equity method investees. For purposes of dividend declaration, income arising from lease of buildings of City of Dreams Manila is accounted for under operating lease similar to treatment for income tax purposes (see Notes 37 and 38).

Dividends

On April 28, 2014, the Parent Company's Board of Directors ("BOD") approved the declaration of cash dividends of Two Centavos (P0.02) per share, totaling ₱211.2 million, inclusive of dividends paid to related party shareholders amounting to ₱5.4 million. The record date to determine the shareholders entitled to receive the cash dividends was set to May 13, 2014 with the payment made on June 2, 2014. No dividends on common stock were declared in 2013.

On January 27, 2015, the Parent Company's BOD approved the declaration of a special dividend of Eighteen Centavos (₱0.18) per share, totaling ₱1,900.7 million, payable on March 9, 2015 to stockholders of record as of February 10, 2015.

29. **Gaming Revenue Share**

PLAI started to recognize its gaming revenue share following the soft opening of the City of Dreams Manila integrated resort and casino operations on December 14, 2014. Gaming revenue share is determined as follows:

	(In Thousands)
Gaming revenue (Gross)	₱45,674
Less PAGCOR License Fee paid by Melco	(6,865)
Gaming revenue share (Net)	₱38,809

As of December 31, 2014, the gaming revenue share was recognized under "Receivables - net" in the consolidated statements of financial position. Such amount has been fully collected as of March 5, 2015.

30. **Other Revenue**

This account consists of:

	2014	2013	2012
		(In Thousands)	
Commission income from real estate	**₱81,578**	₱1,489	₱859
Income from forfeitures	**39,978**	10,800	13,807
Dividend income	**22,443**	–	–
Amortization of discount on trade receivables (see Note 11)	**9,954**	32,280	29,392
Penalty	**2,398**	8,720	4,070
Income from playing rights	**2,143**	3,304	4,014
Others	**3,230**	3,027	5,029
	₱161,724	₱59,620	₱57,171

Income from forfeitures represents deposits, and to a certain extent, installment payments from customers forfeited in the event of default and/or cancellations of real estate sales.

Dividend income pertains to dividends received from SM Prime Holdings Inc., an AFS financial asset.

Penalty pertains to income from surcharges for buyers' default and late payments. Income is recognized when penalty is actually collected.

Others pertain to revenues from sale of scrap supplies and various administrative fees during the year.

31. Cost of Lottery Services

In 2014, this account consists of:

	Amount
	(In Thousands)
Software and license fees (see Note 25)	₱81,654
Depreciation and amortization (see Note 19)	68,643
Communication fees	63,780
Consultancy fees (see Note 25)	46,605
Operating supplies	45,339
	₱306,021

32. Cost of Real Estate and Club Shares Sold

This account consists of:

	2014	2013	2012
		(In Thousands)	
Materials and labor	**₱80,057**	₱58,301	₱58,501
Land	**29,799**	21,701	21,775
Cost of club shares sold	–	23,735	25,184
Overhead and others	**16,000**	11,652	11,692
	₱125,856	₱115,389	₱117,152

33. Cost of Services for Property Management

This account consists of:

	2014	2013	2012
		(In Thousands)	
Water services	**₱61,328**	₱16,014	₱25,589
Power and maintenance	**26,724**	44,255	47,354
	₱88,052	₱60,269	₱72,943

The cost of services for property management includes depreciation and amortization amounting to ₱8.3 million in 2014. There was no depreciation and amortization recognized under "Cost of services for property management" for 2013 and 2012.

34. General and Administrative Expenses

This account consists of:

	2014	2013	2012
		(In Thousands)	
Personnel costs (see Notes 39 and 40)	**₱194,728**	₱83,992	₱79,584
Taxes and licenses	**109,351**	33,906	18,536
Marketing and advertising (see Note 40)	**84,078**	60,240	67,626
Transportation and travel	**69,101**	4,864	4,662
Professional fees	**66,272**	22,546	15,811
Depreciation and amortization (see Notes 19 and 20)	**63,635**	34,939	30,926
Rentals and utilities (see Notes 38 and 40)	**54,708**	41,245	14,054
Representation and entertainment	**25,017**	4,636	8,504
Selling expenses	**19,741**	23,914	–
Repairs and maintenance	**13,440**	20,280	5,990
Security and janitorial	**11,751**	14,379	9,692
Registration fees	**4,237**	2,784	4,607
Communication	**1,839**	1,380	2,562
Insurance	**985**	1,070	822
ABLGI payments (see Note 27)	–	283,501	–
Others	**35,627**	8,966	12,074
	₱754,510	₱642,642	₱275,450

Others pertain to office supplies, insurance, seminar fees and association dues incurred during the year.

Personnel Costs

	2014	2013	2012
		(In Thousands)	
Salaries and wages	**₱170,585**	₱70,833	₱61,039
Pension costs (see Note 39)	**8,913**	5,318	4,992
Employee benefits and others	**15,230**	7,841	13,553
	₱194,728	₱83,992	₱79,584

35. **Interest Income and Interest Expense**

The sources of the Company's interest income follows:

	2014	2013	2012
		(In Thousands)	
Cash in banks (see Note 9)	**₱9,869**	₱2,024	₱719
Cash equivalents (see Note 9):			
With related banks (see Note 40)	**6,666**	10,569	81,904
With other banks	**500**	514	2,377
HTM investments (see Notes 16 and 40)	**12,944**	38,725	17,906
Escrow fund (see Notes 40 and 41)	**–**	4,112	12,083
Short-term investments	**–**	–	1,297
Others	**–**	168	167
	₱29,979	₱56,112	₱116,453

The sources of the Company's interest expense follows:

	2014	2013	2012
		(In Thousands)	
Loans payable (see Notes 24 and 40)	**₱75,078**	₱40,036	₱75,171
Finance lease obligation	**8,923**	–	–
Long-term debt (see Notes 26 and 40)	**8,841**	33,955	27,654
Assignment of receivables	**2,725**	25,653	24,097
Others	**3,156**	4,208	1,229
	₱98,723	₱103,852	₱128,151

36. **Other Income (Charges)**

This account consists of:

	2014	2013	2012
		(In Thousands)	
Share in cumulative translation adjustments of AFS financial assets (see Note 41)	**(₱58,319)**	₱–	₱–
Unrealized mark-to-market gain on investments held for trading (see Note 10)	**34,206**	–	–
Gain on sale of held-to-maturity investments (see Note 16)	**31,353**	–	–
Bank service charges	**(29,292)**	(3,799)	(11,034)
Gain on sale of investments held for trading (see Note 10)	**22,296**	–	–
Proceeds from insurance claims	**20,684**	–	–
Excess input VAT	**10,997**	–	–

(Forward)

	2014	2013	2012
		(In Thousands)	
Reversal of (provision for) allowance:			
Probable loss on other assets – net (see Note 14)	**(₱9,034)**	(₱4,418)	(₱61,692)
Doubtful accounts on trade and other receivables (see Note 11)	**(5,492)**	(352)	(2,353)
Doubtful accounts on advances to associates (see Note 15)	**(40)**	–	(10,633)
Reversal of impairment (impairment loss) on advances to related parties (see Notes 11 and 40)	**–**	4,137	(2,121)
Gain on sale of property and equipment (see Note 19)	**451**	72,026	612
Others - net	**(3,063)**	13,458	(7,843)
	₱14,747	₱81,052	(₱95,064)

37. **Income Taxes**

The provision for current income tax consists of the following:

	2014	2013	2012
		(In Thousands)	
Regular corporate income tax	**₱134,470**	₱303,870	₱916
Capital gains tax (CGT) and final tax on interest income	**26,887**	1,707	64,965
MCIT	**18,586**	–	13,273
	₱179,943	₱305,577	₱79,154

As at December 31, 2014, the Parent Company can claim the carryforward benefits of NOLCO and MCIT amounting to ₱567.4 million and ₱18.6 million, respectively, as deduction against taxable income until 2017. As at December 31, 2012, the carryforward benefit of MCIT amounting to ₱17.8 million was claimed by the Parent Company as tax credit against regular income tax in 2013. As at December 31, 2011, the carryforward benefit of NOLCO amounting to ₱20.3 million was claimed by the Parent Company as deduction against taxable income in 2012.

In 2012, provision for income tax includes CGT paid by the Company under protest for the transfer of land from Belle Bay City amounting to ₱63.2 million. The payment of CGT was made for the sole purpose of facilitating the prompt transfer of title from Belle Bay City to the Company. The Company believes that the imposition of CGT is improper because the transfer was not made in the ordinary course of business but by operation of law in lieu of the ongoing liquidation process of Belle Bay City.

As at December 31, 2014, PLC can claim the carryforward benefits of NOLCO amounting to ₱35.5 million incurred in 2014, ₱7.6 million incurred in 2013 and ₱0.1 million incurred in 2012 as deduction against taxable income until 2017, 2016 and 2015, respectively. As at December 31, 2013, PLC can claim the carryforward benefits of NOLCO amounting to ₱7.6 million incurred in 2013, ₱0.1 million incurred in 2012 and ₱0.1 million incurred in 2011 as deduction against taxable income until 2016, 2015 and 2014, respectively. PLC's NOLCO amounting to ₱0.1 million and ₱0.1 million had expired in 2014 and 2013, respectively.

For the year ended December 31, 2014, PLAI elected to use Optional Standard Deduction in computing its taxable income.

As at December 31, 2014, LotoPac can claim the carryforward benefits of NOLCO amounting to ₱0.1 million incurred in 2013 and ₱0.1 million incurred in 2012 as deduction against taxable income until 2016 and 2015, respectively.

The components of deferred tax assets as at December 31, 2014 are as follows:

	Amount
	(In Thousands)
Accrued expenses	₱25,995
Unamortized past service costs	5,727
Pension liability	5,321
Allowance for impairment losses on trade and other receivables	1,811
Unrealized foreign exchange loss	651
Others	1,729
	₱41,234

The components of the net deferred tax liabilities are as follows:

	2014	2013
	(In Thousands)	
Deferred tax assets:		
Construction cost	**₱1,692,294**	₱1,330,354
Estimated liability on construction costs	**310,508**	674,270
NOLCO	**170,205**	–
Nontrade liability	**72,377**	–
Deferred lease income	**30,519**	32,168
MCIT	**18,586**	–
Accrued selling expenses	**18,057**	16,104
Discount on trade receivables	**16,979**	15,113
Unrealized profit on sale of club shares to associates	**9,327**	9,327
Unamortized past service costs	**1,523**	1,720
Accretion of refundable deposits	**1,054**	1,107
Accrued rent	**739**	746
Net unrealized foreign exchange loss and others	**14,587**	157,719
	2,356,755	2,238,628
Deferred tax liabilities:		
Finance lease receivable	**(2,876,848)**	(2,925,664)
Accumulated depreciation	**(71,808)**	(29,841)
Capitalized interest expense	**(57,393)**	(33,307)
Accrued rent	**(47,746)**	(22,338)
Unrealized gain on sale of real estate	**(38,555)**	(6,274)
Unaccreted discount on refundable deposits	**(31,733)**	(32,726)
Capitalized rent expense	**(26,936)**	(18,214)
Unrealized gain on AFS financial asset	**(9,735)**	(1,222)
Deferred lease expense	**(946)**	(1,021)
Deferred income on real estate sales	**(797)**	(797)
Pension asset	**(331)**	(3,754)
Unrealized foreign exchange gain - net	**(156)**	–
	(3,162,984)	(3,075,158)
Net deferred tax liability	**(₱806,229)**	(₱836,530)

The components of the Company's temporary differences as at December 31, 2014 and 2013 for which deferred tax assets were not recognized follows:

	2014	2013
	(In Thousands)	
Allowances for:		
Impairment of project development costs	**₱2,136,820**	₱2,136,820
Probable losses	**214,073**	208,718
Impairment in value of property and equipment	**186,303**	186,303
Doubtful accounts	**16,487**	16,487
	₱2,553,683	₱2,548,328

The deferred tax assets of the above temporary differences amounting to ₱766.1 million and ₱764.5 million as at December 31, 2014 and 2013, respectively, were not recognized since management believes that it is not probable that taxable income will be available against which the deferred tax assets can be utilized.

For income tax purposes, lease of the building structures is accounted for under operating lease (see Note 38).

The reconciliation between the provision for income tax computed at statutory tax rate and the provision for income tax shown in the consolidated statement of comprehensive income is as follows:

	2014	2013	2012
		(In Thousands)	
Income tax at statutory income tax rate of 30%	**₱807,043**	₱1,490,914	₱214,143
Income tax effects of:			
Nontaxable income	**(744,753)**	(223,256)	(135,219)
Nondeductible expenses and others	**41,030**	11,942	47,606
Income subjected to capital gains tax	**26,887**	1,707	1,716
MCIT	**18,586**	–	–
Mark-to-market gain on securities	**(9,912)**	–	–
Income subjected to final tax	**(7,018)**	(16,781)	(34,886)
Change in unrecognized deferred tax assets	**1,606**	69,003	1,537
Capital gains tax paid under protest	**–**	–	63,249
	₱133,469	₱1,333,529	₱158,146

Philippine Economic Zone Authority (PEZA)
In 2010, the Company's pre-qualification clearance from PEZA in relation with its efforts to secure a Tourism Economic Zone status for a portion of its flagship project, Tagaytay Highlands, has been approved. However, as at March 6, 2015, this approval has not yet been issued with a Presidential Proclamation.

On October 11, 2012, Presidential Proclamation No. 491 has been issued creating and designating eleven parcels of land with an aggregate area of approximately 69,510 square meters located at Aseana Business Park, Paranaque City, as Tourism Economic Zone. Consequently, on November 27, 2012, the Parent Company received its Certificate of Registration from PEZA as the developer of the City of Dreams Manila. The Company shall not be entitled to PEZA incentives.

38. **Lease Commitments**

Company as a Lessor

Lease Agreements with ABLGI

On January 14, 2011, the Parent Company, as a lessor, entered into an operating lease agreement with ABLGI for the lease of land allocable to Belle as part of its share in the remaining liquidating assets of Belle Bay City. The leased premises shall commence upon the execution of the lease agreement and shall expire 10 years after the commencement date of the lease period (earlier between the soft opening date and turnover date) for the integrated resort complex. During the construction period, from the date of execution of the lease agreement to the casino building lease commencement date, the lessee shall pay a nominal monthly rental of ₱30.25 per square meter which is equivalent to 25% of the base rate of ₱121 per square meter and ₱121 per square meter after the casino building lease commencement date to December 31, 2012. In 2012, Belle and ABLGI have agreed to the restructuring of the lease agreements to enable the entry of Melco Crown Entertainment Limited (Melco). The lease agreement with ABLGI was formally terminated on March 13, 2013.

Rent income recognized by the Company from these lease agreements with ABLGI amounted to ₱18.4 million under "Lease income" in the 2012 consolidated statement of comprehensive income.

Lease Agreement with MCE Leisure (Philippines) Corporation (MCE Leisure)

On October 25, 2012, the Parent Company, as a lessor, entered into a lease agreement with MCE Leisure for the lease of land and building structures to be used in the City of Dreams Manila project ("the Project"). The lease period is co-terminus with the operating agreement between the Company and MCE Leisure which is effective on March 13, 2013 until the expiration of the License on July 11, 2033.

Finance Lease

The Company made an assessment at inception of the lease and recorded the lease of the building structures under a finance lease and the lease of the land under an operating lease.

The Company recognized a finance lease receivable equivalent to the net investment in the lease. The implicit interest rate on the finance lease was 15.75% per annum at inception of the lease. Gain on finance lease was recognized for the excess of net investment over the construction cost of the building structures amounting to ₱2,324.4 million in 2013. The lease payments made by the lessee are split into an interest component and a principal component using the effective interest method. The lease receivable is reduced by the principal received. The interest component of the payments is recognized as "Interest income on finance lease" in the consolidated statement of comprehensive income.

In 2014, MCE Leisure and the Parent Company agreed to modify the cash flows. This resulted to the recognition of an ₱812.8 million loss on finance lease recognized in the Company's 2014 consolidated statement of comprehensive income.

As at December 31, 2014 and 2013, the nominal amount of minimum lease payments and the carrying value of finance lease receivable are as follows:

	2014	2013
	(In Thousands)	
Within one year	**₱774,531**	₱1,008,410
In more than one year and not more than five years	**5,157,185**	4,900,436
In more than five years	**29,020,448**	31,693,570
	34,952,164	37,602,416
Unearned finance income	**(25,362,672)**	(27,850,204)
Net investment (present value of the minimum lease payments)	**9,589,492**	9,752,212
Current portion of receivables under finance lease	**722,745**	942,911
Noncurrent portion of receivables under finance lease	**₱8,866,747**	₱8,809,301

Operating Lease
The Parent Company recognized lease income on the lease of land by MCE Leisure amounting to ₱188.8 million, ₱157.1 million and ₱18.4 million in 2014, 2013 and 2012, respectively. The trade receivable carried under the "Receivables - net" account in the consolidated statements of financial position amounted to ₱239.5 million and ₱94.1 million as at December 31, 2014 and 2013, respectively.

As at December 31, 2014 and 2013, the minimum lease payments of the Parent Company on the lease on the land are as follows:

	2014	2013
	(In Thousands)	
Within one year	**₱104,727**	₱97,874
In more than one year and not more than five years	**520,069**	475,644
In more than five years	**2,927,084**	3,076,236
	₱3,551,880	₱3,649,754

Lease Agreements with PCSO
Pacific Online leases to PCSO its online lottery equipment and accessories for a period of 2 years and 4 months until July 31, 2015 as provided in the 2013 Amended ELA. Rental payment is based on certain percentage of gross amount of lotto ticket sales from the operation of all PCSO's lotto terminals or a fixed annual rental of ₱35,000 per terminal in commercial operation, whichever is higher. Rental income amounting to ₱574.7 million in 2014 is recorded under "Equipment rental and instant scratch ticket sales" in the 2014 consolidated statement of comprehensive income. The minimum rental income for 2015 is ₱82.4 million.

TGTI leases to PCSO online KENO games for a period of 10 years from the time the ELA will run in commercial operations. Rental payment is based on certain percentage of gross amount of Online KENO games from the operation of all PCSO's terminals or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. Rental income amounting to ₱254.0 million in 2014 is recorded under "Equipment rental and instant scratch ticket sales" in the 2014 consolidated statement of comprehensive income. Future minimum rental income for the remaining lease terms are as follows:

	Amount
	(In Thousands)
Within one year	₱50,640
After one year but not more than five years	240,540

Company as a Lessee

Finance Lease

Lottery Equipment. The contracts for the supply of online lottery system entered into by Pacific Online with Scientific Games and Intralot and by TGTI with Intralot contain a lease which is accounted for as finance lease. These related equipment are included as part of "Lottery equipment" under "Property and equipment" account in the consolidated statement of financial position with carrying amount of ₱123.3 million as at December 31, 2014:

Future minimum lease payments under these finance leases together with the present value of the minimum lease payments as of December 31, 2014 are as follows:

	Amount
	(In Thousands)
Within one year	₱16,356
After one year but not more than five years	76,494
Total future minimum lease payments	92,850
Less amount representing interest	–
Present value of lease payments	92,850
Less current portion of obligations under finance lease	16,356
Noncurrent portion of obligations under finance lease	₱76,494

The contracts of Pacific Online remain effective until July 31, 2015, the expiration date of the ELA. Payment to Scientific Games is based on a pre-agreed percentage of Pacific Online's revenue from PCSO's conduct of online lottery games running under the system provided by Scientific Games. Payment to Intralot is based on a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery games running on the System, including without limitation, the revenue from the ELA contract or a fixed amount of US$110 per terminal per month, whichever is higher. Payments to Scientific Games and Intralot include the non-lease elements which are presented as "Software and license fees" account under "Cost of lottery services" in the 2014 statement of comprehensive income.

The contract of TGTI with Intralot commenced upon the commercial operation of 200 outlets and remains effective for 10 years until September 30, 2020. Payment to Intralot is based on a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery games running on the System.

Pacific Online initially recognized the finance lease liability based on the fair value of the equipment or the sales price since the minimum lease payments cannot be established, as the monthly payment varies depending on the revenue generated by the leased equipment.

Transportation Equipment. Pacific Online and LCC has finance leases covering its transportation equipment subject to a two-year term until April 2015. Future minimum lease payments under these finance leases together with the present value of the minimum lease payments as of December 31, 2014 are as follows:

	Amount
	(In Thousands)
Within one year	₱928
After one year but not more than five years	198
Total future minimum lease payments	1,126
Less amount representing interest	–
Present value of lease payments	1,126
Less current portion of installment payable	928
Noncurrent portion of installment payable	₱198

Other Operating Lease Agreements

The Parent Company entered into a lease agreement for a parcel of land situated in Aseana Business Park, Parañaque City. The 20,218 square meter land area lease shall be for a period of 10 years commencing on April 23, 2010, inclusive of two years construction period. Rental payments are subject to escalation as stated in the agreement. The contract may be renewed or extended by written agreement of the parties and upon such terms and conditions that are mutually acceptable to them. The Parent Company also paid ₱4.4 million refundable deposit which formed part of "Other noncurrent assets - others" in the consolidated statement of financial position (see Note 23). On April 15, 2012, the parties agreed to extend the lease term for an additional 15 years ending on April 22, 2035.

As at December 31, 2014 and 2013, the operating lease cost amounting to ₱29.1 million and ₱27.3 million were capitalized to leasehold improvements as the Company has started construction of the integrated resort.

The Company entered into an operating lease agreement with SM Land, Inc., a related party, covering its new office space (see Note 40). The lease shall be for a period of 5 years commencing on August 1, 2012. Rental payments are subject to annual escalation adjustments. Total rent expense charged to operations relating to this transaction amounted to ₱10.5 million in 2014 and 2013 and ₱6.8 million in 2012. (see Note 34). The Company also paid ₱2.4 million refundable deposit which is included as part of "Other assets" account in the consolidated statement of financial position (see Note 23).

The Company also has several operating lease arrangements on parking lots, machineries, office and transportation equipment. Total rent expense charged to operations relating to these lease agreements amounted to ₱1.2 million, ₱1.1 million, and ₱1.6 million in 2014, 2013, and 2012 respectively (see Note 34).

The future minimum rental payments by the Company under the operating lease agreements are as follows:

	2014	2013
	(In Thousands)	
Within one year	**₱41,780**	₱39,404
After one year but not more than five years	**161,232**	164,593
After more than five years	**897,588**	936,007
	₱1,100,600	₱1,140,004

39. **Pension Costs**

The Parent Company and certain of its subsidiaries have funded, noncontributory defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. Costs are determined in accordance with the actuarial study, the latest of which is dated December 31, 2014.

PLC is covered under Republic Act No. 7641 which provides a defined benefit minimum guarantee for its qualified employees.

The following tables summarize the components of pension costs recognized in the consolidated statement of comprehensive income and the pension asset and pension liability recognized in the consolidated statement of financial position.

Pension Costs (recognized in "General and Administrative Expenses")

	2014	2013	2012
		(In Thousands)	
Current service cost	**₱11,114**	₱5,578	₱5,239
Interest cost on defined benefit obligation	**3,279**	3,900	3,459
Interest income on plan assets	**(5,535)**	(4,166)	(3,719)
Interest on the effect of asset ceiling	**55**	6	13
	₱8,913	₱5,318	₱4,992

Pension Expense (Income) (recognized in "Other Comprehensive Income")

	2014	2013	2012
		(In Thousands)	
Actuarial (gain) loss on defined benefit obligation	**₱24,343**	(₱4,455)	(₱1,320)
Remeasurement gain on plan assets	**(50)**	(2,439)	(320)
Remeasurement (gain) loss on changes in the effect of the asset ceiling	**(1,115)**	1,014	214
	₱23,178	(₱5,880)	(₱1,426)

Pension Asset

	2014	2013
	(In Thousands)	
Fair value of plan assets	**₱75,845**	₱75,908
Defined benefit obligation	**(74,679)**	(62,270)
Funded status - surplus	**1,166**	13,638
Effect of asset ceiling	**(63)**	(1,123)
	₱1,103	₱12,515

Pension Liability

	2014
	(In Thousands)
Defined benefit obligation	₱70,638
Fair value of plan assets	(51,851)
	₱18,787

Changes in the present value of the defined benefit obligation are as follows:

	2014	2013
	(In Thousands)	
Balance at beginning of the year	**₱62,270**	₱62,493
Acquisition of a subsidiary accounted under acquisition method	**47,421**	–
Interest cost	**3,279**	3,900
Current service cost	**11,114**	5,578
Benefits paid from plan assets	**(3,110)**	(5,246)
Actuarial loss (gain) due to:		
Experience adjustments	**9,778**	(6,561)
Actuarial gain on changes in financial assumptions	**14,872**	2,106
Actuarial gain on changes in demographic assumptions	**(307)**	–
Balance at end of the year	**₱145,317**	₱62,270

Changes in the FVPA are as follows:

	2014	2013
	(In Thousands)	
Balance at the beginning of the year	**₱75,908**	₱64,239
Acquisition of a subsidiary accounted under acquisition method	**34,313**	–
Interest income	**5,535**	4,166
Contributions	**15,000**	10,310
Benefits paid	**(3,110)**	(5,246)
Return on plan assets (excluding amounts included in net interest)	**50**	2,439
Balance at end of the year	**₱127,696**	₱75,908

	2014	2013
	(In Thousands)	
Funded (Unfunded) status - net	**(₱17,621)**	₱13,638
Pension liability	**18,787**	–
Funded status - surplus	**1,166**	13,638
Effect of asset ceiling	**(63)**	(1,123)
Pension asset	**₱1,103**	₱12,515

The principal assumptions used in determining pension benefit obligations for the Parent Company's plan are shown below:

	2014	2013
Discount rates	**5.73%**	4.89%
Future salary increases	**10.00%**	6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	2014		2013	
	Increase (Decrease) in Basis Points	**Amount**	Increase (Decrease) in Basis Points	Amount
		(In Thousands)		*(In Thousands)*
Discount rate	**100**	**(₱1,848)**	100	(₱1,717)
	(100)	**2,031**	(100)	101,925
Salary increase rate	**100**	**1,484**	100	1,259
	(100)	**(1,374)**	(100)	(1,180)

Shown below are the maturity analyses of the undiscounted benefit payments:

Year	Amount
	(In Thousands)
2015	₱18,584
2016	19,360
2017	5,876
2018	13,484
2019-2054	1,381,136

The principal assumptions used in determining pension benefit obligations for Pacific Online and its subsidiaries' plans are shown below:

	Pacific Online	LCC	TGTI
Discount rates	4.49%	4.61%	5.15%
Future salary increases	8.00%	5.00%	10.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	1 Percent Increase	1 Percent Decrease
Discount rate	(₱5,545)	₱8,186
Salary increase rate	6,685	(5,008)

AS at December 31, 2014, the weighted average duration of the pension liability of Pacific Online, LCC and TGTI is 16.1 years to 24.6 years

Shown below are the maturity analyses of the undiscounted benefit payments:

Year	Pacific Online	LCC	TGTI	Total
2015	₱4,319	₱1,835	₱–	₱6,154
2016	2,290	–	1,071	3,361
2017	–	–	305	305
2018	109	–	799	109
2019	3,254	331	–	3,585
2020–2024	14,622	214	2,785	17,621

There are no expected contributions to the defined benefit pension plan in 2015.

Assumptions for mortality rates are based on The 2001 CSO Table – Generational (Scale AA, Society of Actuaries). Assumptions for disability rates are based on The Disability Study, Period 2 Benefit 5 (Society of Actuaries).

Parent Company Retirement Plan

The tax exempt status of the plan was approved by the Bureau of Internal Revenue on September 29, 1998.

The major categories of the plan assets of the Parent Company as a percentage of the fair value of total plan assets are as follows:

	2014	2013
Investments in fixed income securities	**43%**	66%
Investments in unit investment trust funds	**33%**	15%
Others	**24%**	19%
	100%	100%

The Parent Company's retirement fund is in the form of a trust being maintained by a trustee bank.

The carrying value and fair value of the fund amounted to ₱75.9 million as at December 31, 2014. The fund's assets are comprised of: (i) cash in bank; (ii) investment in treasury bonds of government securities, equity securities of private corporations, mutual funds and unit investment trust funds and (iii) loans and receivables from individuals.

The fund has no investments in debt and equity securities of the Parent Company.

Pacific Online Retirement Plan

Pacific Online and LCC have funded, noncontributory defined benefit plans covering substantially all of its regular employees. The defined benefit plan of TGTI is unfunded as at December 31, 2014. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2013. Valuations are obtained on a periodic basis.

The retirement plans of LCC and TGTI provide a retirement benefit equal to 22.5 days pay for every year of credited service, while the plan of the Parent Company provides a retirement benefit equal to one-half month salary for every year of credited service.

All of the Plans meet the minimum retirement benefit specified under Republic Act 7641.

Pacific Online and LCC are not required to pre-fund the future defined benefits payable under the retirement plans before they become due. For this reason, the amount and timing of contributions to the retirement fund are at the Companies' discretion. However, in the event a benefit claim arises and the retirement fund is insufficient to pay the claim, the shortfall will then be due and payable from Pacific Online to the retirement fund. TGTI does not have a formal retirement plan, thus benefit claims under the defined benefit plans are paid directly by TGTI when they become due.

The retirement plans of Pacific Online are administered by a trustee bank under the supervision of a Retirement Plan Trustee (Trustee), as appointed by the Companies in the Trust Agreement. The Trustee is responsible for the investment strategy of the retirement plans.

The major categories of the plan assets of Pacific Online as a percentage of the fair value of total plan assets are as follows:

	2014	2013
Investments in unit investment trust funds	**48%**	42%
Investments in fixed income securities	**26%**	36%
Others	**26%**	22%
	100%	100%

All debt instruments and unit investment trust funds have quoted prices in active markets.

The carrying amounts of plan assets approximate the fair values as at December 31, 2014 and 2013.

40. **Related Party Transactions**

Related parties are enterprises and individuals that has the ability to control directly, or indirectly through one or more intermediaries or are controlled by, or under common control with the Company, including holding companies, and subsidiaries, or exercise significant influence over the other party in making financial and operating decisions. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

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

Other Transactions with Associates and Related Companies

The Company has the following significant related party transactions with associates and other related parties:

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance	Terms	Condition
				(In Thousands)			
APC	Associate	Advances to associate	**2014**	**₱62**	**₱3,754,630**	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱79,452 in 2014 and 2013
			2013	15	3,754,568		
Belle Jai Alai	Associate	Advances to associate	**2014**	**–**	**29,398**	Noninterest-bearing, due and demandable	Unsecured, no allowance
			2013	–	29,398		
Highlands Prime	Associate	Advances to associate	**2014**	**(1,936)**	**–**	Noninterest-bearing, due and demandable	Unsecured, no allowance
			2013	–	1,936		
		Advances from associate	**2014**	**129**	**129**	Noninterest-bearing, due and demandable	Unsecured
		Commission income (Note 30)	**2014**	**891**	**–**		Not applicable
			2013	–	–		
			2012	302	–		
WDC	Associate	Advances to associate	**2014**	**–**	**54,334**	Noninterest-bearing, due and demandable	Unsecured, fully provided in 2014 and 2013
			2013	–	54,334		
Others	Associate	Advances to associates	**2014**	**–**	**11,486**	Noninterest-bearing, due and demandable	Unsecured, fully provided in 2014, partially provided amounting to ₱11,447 in 2013
			2012	–	**11,486**		
Tagaytay Highlands	With common set of directors	Advances to other related parties	**2014**	**10,687**	**12,774**	Noninterest-bearing, due and demandable	Unsecured, no allowance
			2013	(363,696)	2,087		
Country Club	With common set of directors	Advances to other related parties	**2014**	**499**	**2,871**	Noninterest-bearing, due and demandable	Unsecured, no allowance
			2013	(91,568)	2,372		
Others	With common set of directors	Advances to other related parties	**2014**	**3,191**	**18,775**	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱7,494 in 2014 and ₱6,374 in 2013
			2013	17,311	15,854		
TMGCI	With common set of directors	Advances from other related parties	**2014**	**(2,259)**	**–**	Noninterest-bearing, due and demandable	Unsecured
			2013	(72,608)	2,259		
Belle Jai-Alai	Associate	Advances from associate	**2014**	**–**	**60,753**	Noninterest-bearing, due and demandable	Unsecured
			2013	–	60,753		
Tagaytay Highlands	With common set of directors	Advances from other related parties	**2014**	**(13)**	**10,849**	Noninterest-bearing, due and demandable	Unsecured
			2013	–	10,862		
Pacific Online	Associate in 2013	Advances from associate	**2014**	**–**	**–**	Noninterest-bearing, due and demandable	Unsecured
			2013	(10,016)	–		
Others	Associates	Advances from other related parties	**2014**	**–**	**–**	Noninterest-bearing, due and demandable	Unsecured
			2013	–	3,707		
BDO	With common stockholders	Cash equivalents	**2014**	**1,219,727**	**2,429,914**	Interest-bearing	Unsecured, not impaired
			2013	(1,111,120)	1,210,187		
		Interest income on cash equivalents (see Notes 9 and 35)	**2014**	**6,666**	**–**	3.14% to 4.56%	Unsecured, not impaired
			2013	10,569	–	3.14% to 4.56%	
			2012	81,904	–	3.87% to 4.56%	
		Receivables purchase agreement (see Note 11)	**2014**	**–**	**–**	Interest-bearing	Unsecured
			2013	242,429	–		

(Forward)

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance	Terms	Condition
				(In Thousands)			
		Escrow fund (see Note 41)	**2014** 2013	**₱–** (2,064,450)	**₱–** –	Interest bearing	Unsecured, not impaired
		Interest income on escrow fund (see Notes 35 and 41)	**2014** 2013 2012	**–** 4,112 12,083	– – –	0.62%–0.75%	Unsecured, not impaired
		Short-term loans (see Note 24)	**2014** 2013	**–** (1,668,000)	– –	Interest-bearing	Secured
		Interest expense on short-term loans, gross of capitalized interest (see Notes 24 and 35)	**2014** 2013 2012	**19,156** 40,036 78,072	– – –	2,85% to 3.25% 4.25% to 5.12% 4.50% to 7.00%	Secured
		Trade and other current liabilities	**2014** 2013	**61,523** –	**(28,025)** (89,529)	Interest-bearing	Secured
		Long-term debt (see Note 26)	**2014** 2013	**(535,800)** (3,391,200)	– 535,800	Interest-bearing	Secured
		Interest expense on long-term debt (see Notes 18 and 35)	**2014** 2013 2012	**10,210** 25,653 156,667	– – –	3.75%–6.58% 3.75%–6.58% –	Secured
SM Land, Inc.	With common stockholders	Operating lease (see Note 31)	**2014** 2013 2012	**10,482** 10,535 6,063	**2,463** 3,337 2,824	5 years, renewable	Not applicable
		Service fee	2013	**12,500**	–	1 year, renewable	Not applicable
SM Arena Complex Corporation	With common stockholders	Sponsorship agreement (see Note 33)	**2014** 2013 2013	**17,822** 20,073 11,594	– – –	5 years	Not applicable
SMIC	Stockholder	HTM investments (see Note 16)	**2014** 2013	**(750,000)** 750,000	– 750,000	Interest-bearing, maturing in 7 and 10 years	Not applicable
		Interest income on HTM investments (see Notes 16 and 35)	**2014** 2013 2012	**12,944** 38,725 17,906	– – –	6.00%–6.94%	Not applicable
Belle shares Holdings, Inc.	Stockholders	Receivables	**2014** 2013	**(31,891)** 31,891	**–** 31,891	Interest-free	Unsecured, interest-free
Directors and officers	Key management personnel	Receivables (see Note 11)	**2014** 2013	**–** (10,845)	**1,138** 1,138	Interest-free	Unsecured, interest-free, partially provided amounting to ₱688
		Short-term employee benefits	**2014** 2013 2012	**61,907** 37,221 31,422	– – –	Not applicable	Not applicable
		Post-employment benefits	**2014** 2013 2012	**5,478** 3,964 3,964	– – –	Not applicable	Not applicable

The following table provides the summary of outstanding balances and transactions for the years ended December 2014, 2013, and 2012 in relation with the table above for the transactions that have been entered into with related parties:

Total Related Party Outstanding Balances before any Allowance for Impairment

	2014	2013
Cash equivalents	**₱1,219,727**	₱2,429,914
Receivables	**1,138**	33,029
Advances to associates (see Note 15)	**3,849,848**	3,851,722
Advances to other related parties (see Note 11)	**34,420**	20,313
HTM investments	–	750,000
Advances from associates	**60,882**	60,753
Advances from other related parties	**10,849**	–
Operating lease payable	**2,463**	3,337
Assignment of receivables with recourse	**28,025**	89,529
Long-term debt	–	535,800

Total Related Party Transactions

	2014	2013	2012
Commission income	**₱891**	₱–	₱302
Interest income on cash equivalents	**6,666**	10,569	81,904
Interest income on escrow fund	–	4,112	12,083
Interest income on HTM investments	**12,944**	38,725	17,906
Service fee	–	12,500	–
Interest expense on short-term loans	**19,156**	40,036	78,072
Interest expense on long-term debt	**10,210**	25,653	156,667
Short-term employee benefits	**51,313**	37,221	31,422
Post-employment benefits	–	3,964	3,964
Receivables Purchase Agreement	–	242,429	–
Sponsorship agreement	**17,822**	20,073	11,594

Allowance provided on advances to associates charged to “Investments in and Advances to Associates” amounted to ₱145.3 million and ₱145.2 million as at December 31, 2014 and 2013, respectively (see Note 15).

Allowance for doubtful accounts of advances to related parties amounted to ₱7.5 million and ₱8.7 million as at December 31, 2014 and 2013, respectively (see Note 11). Provision for doubtful accounts on advances to related parties amounted to ₱4.1 million in 2013 (see Note 36). In 2012, the Company reversed allowance for impairment loss of ₱2.1 million.

Transactions with other related parties are as follows:

- On May 12, 2012, the Parent Company entered into an operating lease agreement with SM Land, Inc. covering its new office space (see Note 38).

- The Company entered into a sponsorship agreement with SM Arena Complex Corporation (SMACC) for 5 years commencing on May 21, 2012. The Company is charged for a sponsorship fee of ₱95.0 million payable in 5 equal installments of ₱19.0 million annually. In return, SMACC shall grant the Company marketing and promotional entitlements in the MOA Arena during the sponsorship period.

- The Parent Company entered into a service agreement with PLAI in 2012, wherein PLAI shall provide technical advisory support services relating to the operation, direction, management and supervision of the City of Dreams Manila project. Project management fee charged by PLAI to the Parent Company amounted to ₱7.5 million, ₱8.0 million and ₱25.0 million in 2014 2013 and 2012, respectively, and was eliminated in the consolidated statement of comprehensive income.

- The Parent Company entered into a service agreement with PLAI in 2014, wherein the Parent Company shall provide PLAI with end to end support with respect to the operation of its casino license from PAGCOR. Service fee charged by the Parent Company amounted to ₱7.5 million and was eliminated in the 2014 consolidated statement of comprehensive income.

- The Parent Company entered into a service agreement with SM Land, Inc. in 2013, wherein SM Land shall perform specific services relative to the operations and personnel of the Parent Company's land and buildings. Service fee charged by SM Land to the Parent Company amounted to ₱12.5 million recognized under "General and administrative expenses" as part of repairs and maintenance in the 2013 consolidated statement of comprehensive income.

41. Significant Contracts

Investment Commitment with PAGCOR

In October 2012, the Company, together with PLAI (Phil. Parties) and MCE Leisure Philippines and its two other related companies (MCE Parties) have been granted the license to operate an integrated entertainment complex in Aseana Boulevard, Paranaque City which will now be known as "City of Dreams Manila". Under the Provisional License granted to the group, the parties are committed to invest a minimum of US $1 billion ("Investment Commitment") into the Project. Under the PAGCOR Guidelines, of the US$1.0 billion, US$650.0 million shall be invested upon the opening of the casino and the other US$350.0 million shall be invested within a period of three (3) years from the commencement of the casino operations. The Investment Commitment shall be composed of the value of the land and the development costs of the infrastructures and facilities within the Project.

The other salient provisions of the License are: (i) creation of an escrow account where the funds to be used exclusively for the Project are expected to flow through but with a maintaining balance of US$50.0 million and is separately shown as the "Escrow Fund" account in the 2012 consolidated statement of financial position; (ii) issuance of performance bond of US$100.0 million to guarantee the completion of the project; and (iii) issuance of surety bond of US$100.0 million to guarantee the payment to PAGCOR of all fees payable under the License granted by PAGCOR.

As at December 31, 2012, the Escrow Fund was being maintained with a balance of US$50.3 million. Interest income earned on the Escrow Fund amounted to ₱4.1 million and ₱12.1 million in 2013 and 2012, respectively (see Note 35). In May 2013, the Escrow was terminated as MCE Leisure (Philippines) Corporation ("MCE Leisure") deposited its own Escrow Fund to replace that of the Company. Thus, the balance of the Company's Escrow Fund amounted to nil as of December 31, 2013 and 2014.

Cooperation Agreement with MELCO

On October 25, 2012, the Company together with PLAI ("Philippine Parties"), formally entered into a Cooperation Agreement with Melco, a company listed in the Hong Kong Stock Exchange, which governs their cooperation in the development and operation of the City of Dreams Manila.

The Cooperation Agreement places the Company as a co-licensee and the owner of the site's land and buildings, while MELCO will be a co-licensee and operator of all the facilities within the resort complex.

In March 2013, MELCO paid the Company the amount of ₱949.6 million which represents various costs MELCO agreed to absorb as one of the conditions of the Philippine Parties in including the MCE Parties as co-licensees under the Project. This amount was recorded as termination income in the consolidated statement of comprehensive income for the year ended December 31, 2013.

<u>Operating Agreement with MELCO</u>
On March 13, 2013, the Company, together with Belle, entered into an Operating Agreement with MCE Holdings No. 2 (Philippines) Corporation, MCE Holdings (Philippines) Corporation and Melco. Under the terms of the Operating Agreement, Melco was appointed as the sole and exclusive operator and manager of the casino development Project.

The Operating Agreement shall be in full force and effect for the period of the PAGCOR License, unless terminated earlier in accordance with the agreements among the parties.

Pursuant to this agreement, PLAI shares from the performance of the casino gaming operations.

<u>Advisory Services by AB Leisure Global, Inc. (ABLGI)</u>
ABLGI agreed to act in an advisory capacity to the Company and Belle subject to certain limitations for a consideration equivalent to percentage of the Company's income from gaming revenue share.

Professional fee amounting to ₱7.1 million in 2014 was presented as part of "Professional fees" account under "General and administrative expenses" in the 2014 consolidated statement of comprehensive income (see Note 34).

<u>Share Swap Agreement</u>
In 1997, PLC together with the Parent Company (then a 32% shareholder) entered into a Swap Agreement with Paxell Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as "Metroplex") whereby PLC issued 3,870,000,000 of its common shares in exchange for 46,381,600 shares of LIR-HK, a Hong Kong-based company, which is a subsidiary of Metroplex.

On August 23, 2001, a Memorandum of Agreement (MOA) was entered into by and among the Parent Company, Sinophil, Metroplex and LIR-HK rescinding the Swap Agreement and cancelling all obligations stated therein and reversing all the transactions as well as returning all the objects thereof in the following manner:

a. Metroplex shall surrender the certificates of PLC shares held by them in relation to the Swap Agreement. Belle shall then cause the reduction of the capital stock of Sinophil to the extent constituting the PLC shares of stock surrendered by Metroplex and the cancellation and delisting of such shares from the PSE.

b. PLC shall surrender the LIR-HK shares back to Metroplex.

In view of such definite plan to rescind the Swap Agreement through the MOA or other means, PLC discontinued using the equity method in accounting for its investment in LIR-HK starting from LIR-HK's fiscal year beginning February 1, 1999.

On February 18, 2002, the stockholders approved the cancellation of 3,870,000,000 shares held by Metroplex. However, Metroplex failed to deliver the stock certificates for cancellation covering the 2,000,000,000 shares of their total shareholdings. PLC again presented to its stockholders the reduction of its authorized capital stock to the extent of 1,870,000,000 shares, which were already delivered by Metroplex. On June 3, 2005, the stockholders approved the cancellation and delisting of the 1,870,000,000 shares. On March 28, 2006, the SEC formally approved the Company's application for the capital reduction and cancellation of the 1,870,000,000 PLC shares. The application to delist the said shares was also approved by the PSE.

As a result of the cancellation of the shares, investment in LIR-HK was reduced by ₱2,807.8 million in 2006. The corresponding decrease in capital stock and additional paid-in capital, and share in cumulative translation adjustments of an associate amounted to ₱1,870.0 million, ₱1,046.9 million and ₱109.1 million, respectively.

In 2007, the PLC acquired LIR-HK's loan from Union Bank of the Philippines which was secured by the 1,000,000,000 shares of PLC held by Metroplex for a total consideration of ₱81.6 million. Upon acquisition, an application for capital reduction and cancellation of 1,000,000,000 PLC shares was filed with the SEC after obtaining stockholders' approval.

On June 24, 2008, upon obtaining the approval of the SEC, the 1,000,000,000 PLC shares in the name of Metroplex were cancelled. As a result, investment in LIR-HK was reduced by ₱1,501.5 million in 2008. The corresponding decrease in capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively. In 2009, PLC applied with the SEC for further decrease of its authorized capital stock for 1,000,000,000 shares. This application was approved on July 9, 2009 by the SEC. However, PLC did not effect such decrease in authorized capital stock as these cannot be surrendered for cancellation.

In 2009, Metroplex filed before the Court of Appeals (CA) to review the Order of the SEC denying their petition to nullify the approval of the reduction of the capital stock of the Parent Company. Petition was elevated to the Supreme Court (SC) after the CA sustained the SEC ruling. As at March 6, 2015, the SC has yet to resolve this petition. The deal was scuttled when the remaining 1,000,000,000 undelivered PLC shares (hereinafter referred to as the "Shares") are being held by another creditor, Evanston Asset Holdings Pte. Ltd ("Evanston"), as collateral for loans obtained by Metroplex. Metroplex was previously negotiating for the release of such pledge to be able to carry out the terms of the MOA. However, during 2012, PLC was informed by Evanston that they had undertaken foreclosure proceedings on the Shares. While Evanston has stated willingness to negotiate with PLC towards the transfer of the Shares, there is no assurance that PLC will be able to acquire the Shares from Evanston. Thus, PLC recognized full impairment loss of ₱1,559.8 million on its investment in LIR-HK in view of the then uncertainty of implementing the MOA rescinding the Swap Agreement.

Notwithstanding the foregoing, cognizant of the fact that whoever had possession of the Shares would be dispossessed of its property by reason of the approval of the decrease in capital which implies the cancellation of said shares, PLC exerted earnest efforts to have the SEC revoke its approval of the third decrease in capital. However, SEC continued to deny any petition on the following grounds:

(i) the documents submitted by appellant in support of its application for the decrease of capital stock, were all complete and regular on its face;
(ii) there was no allegation of fraud, actual or constructive, nor misrepresentation in its application for decrease of authorized capital stock.

On June 30, 2013, PLC filed a Memorandum of Appeal with the SEC to appeal the denial of the petition.

On April 22, 2014, PLC filed with the SEC a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013 and proceeded to effect the cancellation of the shares and compensated the parties who were in possession of the remaining 1,000,000,000 PLC shares.

The investments in LIR-HK of PLC were recorded under "Available-for-sale financial assets" and are fully impaired as at December 31, 2012 in PLC's books. In 2013, the Parent Company started to consolidate PLC after the Parent Company acquired controlling interest in PLC. The acquisition was accounted for using the pooling of interest method and accordingly, the impaired value of the AFS financial asset has started to be carried in the Company's consolidated accounts (see Notes 17 and 21). In 2014, the Company recognized reversal of a provision for impairment of its investment in Legend International Resorts (HK) Limited ("LIR"), net of costs of implementing the MOA rescinding the Swap Agreement and the cancellation of said Shares of ₱340.7 million, amounting to ₱1,219.1 million following the cancellation of the 1,000,000,000 Sinophil shares formerly held by Metroplex, thereby fulfilling the agreement entered into by and among Belle, PLC, Metroplex and LIR in rescinding the Swap Agreement, cancelling all obligations and reversing all transactions stated therein (the "Full LIR Unwinding"). The cancellation also resulted in the recognition of ₱58.3 million share in cumulative translation adjustments of AFS financial asset in profit or loss (see Note 36).

As a result of the cancellation of the PLC shares, the Company reduced the carrying amount of its non-controlling interest by ₱257.2 million with a corresponding adjustment to "Other reserves – Transactions with non-controlling interests" amounting to ₱962.0 million.

<u>Agreements with PCSO</u>

Instant Scratch Tickets. On March 25, 2009, Pacific Online entered into a non-exclusive Memorandum of Agreement (MOA) with PCSO, for a period of seven years, effective December 1, 2009 to undertake the printing, distribution and sale of scratch tickets. The MOA requires a cash bond to be deposited in an interest-bearing bank account designated by PCSO to guarantee the payment of all prizes for each series of tickets distributed, subject to review by PCSO, which was paid in January 2010, for a period of seven years from the date of initial launch of the instant tickets and shall be maintained co-terminus with this MOA. The ₱20.0 million cash bond is recognized under "Other noncurrent assets" account in the consolidated statement of financial position (see Note 23).

42. **Contingencies**

In the normal course of business, there are certain tax cases and legal cases related to labor disputes and land ownership issues filed against the Company.

The PLC is a party to a civil case filed by Metroplex before the CA to review the February 26, 2009 Order of the SEC denying the Metroplex petition to nullify the approval of the reduction of the capital stock of the Parent Company (see Note 2). The CA sustained the ruling of the SEC, thus Metroplex filed a petition for review with the SC. As at March 6, 2015, the Supreme Court has yet to resolve this petition.

However, as discussed in Note 41, the cancellation of the Swap Agreement was implemented following the Company's filing to the SEC of a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013.

43. Basic/Diluted EPS

	2014	2013	2012
		(In Thousands, Except EPS)	
Earnings attributable to Equity holders of the Parent (a)	**₱2,202,253**	₱3,639,853	₱555,720
Weighted average number of issued common shares – basic, at beginning of year	**10,559,383**	10,559,383	8,533,118
Number of parent company common shares held by subsidiaries – basic, at beginning of year	**(336,490)**	(236,502)	(214,963)
Issued during the year	**–**	–	1,817,969
Acquisition of entities holding parent common shares	**(35,773)**	(69,033)	(10,770)
Weighted average number of issued common shares - basic, at end of year (b)	**10,187,120**	10,253,848	10,125,354
Basic/diluted EPS (a/b)	**₱0.216**	₱0.355	₱0.055

There are no common stock equivalents that would have a dilutive effect on the basic EPS.

44. Financial Assets and Financial Liabilities

Financial Risk Management Objectives and Policies

The Company's principal financial assets and financial liabilities are composed of cash and cash equivalents, receivables, investments held for trading, HTM investments, AFS financial assets, trade and other current liabilities, loans payables, long-term debt, nontrade liability, installment payable, obligations under finance lease and assignment of receivables with recourse. The main purpose of these financial assets and financial liabilities is to raise finances for the Company's operations. The Company has various other financial assets and financial liabilities such as receivables, advances to associates and other related parties and trade and other liabilities, which arise directly from its real estate operations.

The main risks arising from the Company's financial assets and financial liabilities are interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk. The Company's BOD and management review and agree on the policies for managing each of these risks and these are summarized below.

Interest Rate Risk. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial assets and financial liabilities. The Company's exposure to interest rate risk relates primarily to the Company's long-term debt which are subject to cash flow interest rate risk. Re-pricing of FRNs is done every six months while re-pricing of long-term debt is normally done every three months.

The Company's policy is to manage its interest cost by limiting its borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's consolidated income before income tax in 2014 and 2013. There is no other impact on the Company's equity other than those already affecting the profit or loss in the consolidated statement of comprehensive income.

	2014		2013	
	Increase in Basis Points	**Decrease in Basis Points**	Increase in Basis Points	Decrease in Basis Points
	(In Thousands, Except Change in Basis Points)			
Change in basis points*	**+2**	**-2**	+22	-22
Effect on income before income tax	**(₱-)**	**(₱-)**	(₱2,093)	₱2,093

**Average movement in LIBOR interest rates for the past five years.*

Foreign Currency Risk. Foreign currency risk is the risk that the fair value or future cash flows of financial asset or financial liability will fluctuate due to changes in foreign exchange rates.

As at December 31, 2014 and 2013, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	2014	2013
	(In Thousands)	
Consultancy and software license fee payable*	**$691**	$–
FRNs	–	(22,012)
Foreign currency-denominated financial assets (liabilities)	**($691)**	($22,012)

**Presented under "Trade and other current liabilities" account in the consolidated statements of financial position.*

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was ₱44.72 to US$1.0 and ₱44.40 to US$1.0, the Philippine peso to US dollar exchange rates as at December 31, 2014.

It is the Company's policy to ensure that capabilities exist for active but conservative management of its foreign currency risk. The Company seeks to mitigate its transactional currency exposure by maintaining its costs at consistently low levels, regardless of any upward or downward movement in the foreign currency exchange rate.

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rates, with all other variables held constant, of the Company's consolidated income before tax as at December 31, 2014 and 2013. There is no other impact on the Company's equity other than those already affecting the profit or loss in the consolidated statement of comprehensive income.

	2014		2013	
	Increase in US$ Rate	**Decrease in US$ Rate**	Increase in US$ Rate	Decrease in US$ Rate
	(In Thousands, Except Change in US$ Rate)			
Change in US$ rate*	**1.48**	**(1.48)**	3.13	(3.13)
Effect on income before income tax	**(₱2,039)**	**₱2,039**	(₱68,787)	₱68,787

**Average movement of U.S. dollar against Philippine peso for the past five years.*

The increase in US$ rate means stronger US dollar against peso while the decrease in US$ means stronger peso against the US dollar.

Equity Price Risk. Equity price risk is the risk that the fair value of quoted investments held for trading decreases as a result of changes in the value of individual stock. The Company's exposure to equity price risk relates primarily to the Company's investments held for trading. The Company monitors the equity investments based on market expectations. Significant movements within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the BOD.

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Company's 2014 consolidated income before income tax:

Increase (Decrease) in Equity Price	Effect on Consolidated Net Income
	(In Thousands)
5%	₱47,526
(5%)	(₱47,526)

Credit Risk. Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The Company does not offer credit terms without the specific approval of the management. There is no significant concentration of credit risk.

In the Company's real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments/deposits made by the customer in favor of the Company and retain ownership of the property. The Company has the right to sell, assign or transfer to third party and any interest under sales contract, including its related receivables from the customers. The Company's primary target customers are high-income individuals and top corporations, in the Philippines and overseas. These measures minimize the credit risk exposure or any margin loss from possible default in the payments of installments.

Trade receivables from sale of real estate units are secured with pre-completed property units. The legal title and ownership of these units will only be transferred to the customers upon full payment of the contract price. Receivables from sale of club shares are secured by the shares held by the Company. For other receivables, since the Company trades only with recognized third parties, there is no requirement for collateral.

With respect to credit risk arising from the financial assets of the Company, which comprise of cash and cash equivalents, short-term investments, receivables, finance lease receivables, advances to associates and other related parties and AFS financial assets, deposits, guarantee bonds and held-to-maturity investments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these financial assets.

The table below shows the Company's aging analysis of financial assets.

	2014						
	Neither	**Past Due but not Impaired**					
	Past Due nor Impaired	**Less than 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Impaired**	**Total**
	(In Thousands)						
Cash and cash equivalents*	**₱6,319,136**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱6,319,136**
Receivables:							
Trade	**1,076,173**	**4,739**	**3,807**	**9,202**	**123,713**	**1,794**	**1,219,428**
Related parties	**26,926**	**–**	**–**	**–**	**–**	**7,494**	**34,420**
Others	**230,351**	**–**	**–**	**–**	**–**	**122,769**	**353,120**
Finance lease receivable	**9,589,492**	**–**	**–**	**–**	**–**	**–**	**9,589,492**
Advances to associates - net of subscription payable**	**174,849**	**–**	**–**	**–**	**–**	**145,273**	**320,122**
Investments held for trading	**262,815**	**–**	**–**	**–**	**–**	**–**	**262,815**
AFS financial assets	**1,887,379**	**–**	**–**	**–**	**–**	**–**	**1,887,379**
Deposits***	**8,165**	**–**	**–**	**–**	**–**	**–**	**8,165**
Guarantee bonds****	**40,000**	**–**	**–**	**–**	**–**	**–**	**40,000**
	₱19,615,286	**₱4,739**	**₱3,807**	**₱9,202**	**₱123,713**	**₱277,330**	**₱20,034,077**

**Excluding cash on hand.*
***Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*
****Presented under "Other current assets" account in the consolidated statement of financial position.*
*****Presented under "Other noncurrent assets" account in the consolidated statement of financial position.*

	2013						
	Neither	Past Due but not Impaired					
	Past Due nor Impaired	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
	(In Thousands)						
Cash and cash equivalents*	₱1,020,396	₱–	₱–	₱–	₱–	₱–	₱1,020,396
Receivables:							
Trade**	716,838	3,897	3,910	13,292	113,104	5,773	856,814
Related parties	11,657	–	–	–	–	8,656	20,313
Others	230,226	–	–	–	–	123,576	353,802
Finance lease receivable	9,752,212	–	–	–	–	–	9,752,212
Advances to associates - net of subscription payable***	176,723	–	–	–	–	145,233	321,956
HTM investments	750,000	–	–	–	–	–	750,000
AFS financial assets	1,773,793	–	–	–	–	1,598,616	3,372,409
	₱14,431,845	₱3,897	₱3,910	₱13,292	₱113,104	₱1,881,854	₱16,447,902

**Excluding cash on hand.*
***Excluding non-financial trade receivables amounting to ₱129.5 million.*
****Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*

Financial assets are considered past due when collections are not received on due date.

Past due accounts which pertain to trade receivables from sale of real estate units and club shares are recoverable since the legal title and ownership of the real estate units and club shares will only be transferred to the customers upon full payment of the contract price.

The table below shows the credit quality of the Company's financial assets that are neither past due nor impaired based on historical experience with the corresponding third parties.

	2014			
	High Grade	**Medium Grade**	**Unrated**	**Total**
		(In Thousands)		
Cash and cash equivalents*	**₱6,319,136**	**₱–**	**₱–**	**₱6,319,136**
Receivables:				
Trade	**1,099,544**	**18,699**	**99,391**	**1,217,634**
Related parties	**26,926**	**–**	**–**	**26,926**
Others	**230,351**	**–**	**–**	**230,351**
Finance lease receivable	**9,589,492**	**–**	**–**	**9,589,492**
Advances to associates - net of subscription payable**	**174,849**	**–**	**–**	**174,849**
Investments held for trading	**262,815**	**–**	**–**	**262,815**
AFS financial assets	**1,879,730**	**–**	**7,649**	**1,887,379**
Deposits***	**–**	**8,165**	**–**	**8,165**
Guarantee bonds****	**40,000**	**–**	**–**	**40,000**
	₱19,622,843	**₱26,864**	**₱107,040**	**₱19,756,747**

**Excluding cash on hand.*
***Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*
****Presented under "Other current assets" account in the consolidated statement of financial position.*
*****Presented under "Other noncurrent assets" account in the consolidated statement of financial position.*

	2013			
	High Grade	Medium Grade	Unrated	Total
		(In Thousands)		
Cash and cash equivalents*	₱1,020,396	₱–	₱–	₱1,020,396
Receivables:				
Trade**	945,162	–	–	945,162
Related parties	11,657	–	–	11,657
Others	136,105	–	–	136,105
Finance lease receivable	9,752,212			9,752,212
Advances to associates - net of subscription payable***	176,723	–	–	176,723
HTM investments	750,000	–	–	750,000
AFS financial assets	1,708,635	–	65,158	1,773,793
	₱14,500,890	₱–	₱65,158	₱14,566,048

**Excluding cash on hand.*
***Excluding non-financial trade receivables amounting to ₱129.5 million.*
****Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*

High grade financial assets pertain to receivables from clients or customers who have no history of delayed payment while medium grade includes receivables from clients or customers who have history of delayed payment but is currently updated.

Cash in banks, cash equivalents and short-term investments are deposited with the top ten banks in the Philippines; hence, considered high grade.

Unquoted AFS financial assets are unrated while quoted HTM investments and AFS financial assets are assessed as high grade based on financial status of the counterparty and its current stock price performance in the market.

Liquidity Risk. Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company seeks to manage its liquidity profile to be able to finance its capital expenditures and service its maturing debts. The Company's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information. The Company considers obtaining borrowings as the need arises.

The following table summarizes the maturity profile of the Company's financial assets and financial liabilities as at December 31, 2014 and 2013 based on contractual undiscounted cash flows. The table also analyzes the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments and liquidity.

	2014					
	On Demand	**< 6 Months**	**6 Months to 1 Year**	**1–3 Years**	**> 3 Years**	**Total**
			(In Thousands)			
Financial Assets						
Cash and cash equivalents	**₱6,319,136**	**₱–**	**₱–**	**₱–**	**₱–**	**₱6,319,136**
Receivables	**891,725**	**129,717**	**129,717**	**254,908**	**41,434**	**1,447,501**
Finance lease receivable	**–**	**375,266**	**399,265**	**3,678,149**	**30,499,484**	**34,952,164**
Advances to associates - net of subscription payable*	**174,849**	**–**	**–**	**–**	**–**	**174,849**
Investments held for trading	**262,815**	**–**	**–**	**–**	**–**	**262,815**
AFS financial assets	**1,887,379**	**–**	**–**	**–**	**–**	**1,887,379**
Deposits**	**8,165**	**–**	**–**	**–**	**–**	**8,165**
Guarantee bonds***	**40,000**	**–**	**–**	**–**	**–**	**40,000**
	₱9,584,069	**₱504,983**	**₱528,982**	**₱3,933,057**	**₱30,540,918**	**₱45,092,009**
Financial Liabilities						
Loans payable***	**₱–**	**₱2,966,760**	**₱–**	**₱–**	**₱–**	**₱2,966,760**
Trade and other current liabilities*****	**2,812,822**	**–**	**–**	**49,143**	**–**	**2,861,965**
Long-term debt***	**–**	**54,159**	**174,769**	**631,406**	**1,283,422**	**2,143,756**
Nontrade liability	**–**	**141,855**	**149,919**	**1,362,802**	**12,295,179**	**13,949,755**
Installment payable	**792**	**50**	**87**	**198**	**–**	**1,127**
Obligations under finance lease	**4,089**	**4,089**	**8,178**	**24,534**	**51,960**	**92,850**
Assignment of receivables with recourse***	**–**	**28,026**	**–**	**–**	**–**	**28,026**
	₱2,817,703	**₱3,194,939**	**₱332,953**	**₱2,068,083**	**₱13,630,561**	**₱22,044,239**

**Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*
***Presented under "Other current assets" account in the consolidated statement of financial position.*
****Presented under "Other noncurrent assets" account in the consolidated statement of financial position.*
*****Including future interest payments.*
******Excluding customers' deposits, statutory payables and other liabilities to the government.*

	2013					
	On Demand	< 6 Months	6 Months to 1 Year	1–3 Years	> 3 Years	Total
			(In Thousands)			
Financial Assets						
Cash and cash equivalents	₱1,170,396	₱–	₱–	₱–	₱–	₱1,170,396
Receivables*	286,427	98,048	122,566	312,220	137,935	957,196
Finance lease receivable	–	504,205	504,205	2,233,505	34,360,501	37,602,416
Advances to associates - net of subscription payable**	176,723	–	–	–	–	176,723
HTM investments	750,000	–	–	–	–	750,000
AFS financial assets	1,773,793	–	–	–	–	1,773,793
	₱4,157,339	₱602,253	₱626,771	₱2,545,725	₱34,498,436	₱42,430,524

	2013					
	On Demand	< 6 Months	6 Months to 1 Year	1–3 Years	> 3 Years	Total
Financial Liabilities						
Loans payable***	₱–	₱201,310	₱85	₱–	₱–	₱201,395
Trade and other current liabilities****	2,429,441	–	–	–	–	2,429,441
Long-term debt***	–	1,018,760	44,984	220,306	305,607	1,589,657
Nontrade liability	–	–	–	–	4,000,000	4,000,000
Assignment of receivables with recourse***	–	933	7,229	2,189	–	10,351
	₱2,429,441	₱1,221,003	₱52,298	₱222,495	₱4,305,607	₱8,230,844

**Excluding non-financial trade receivables amounting to ₱129.5 million.*
***Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*
****Including future interest payments.*
*****Excluding customers' deposits, statutory payables and other liabilities to the government.*

The Company expects to settle its maturing obligations on long-term debt from its gaming revenues from casino operations, rental income on land and casino building (see Note 38) and expected profits from real estate development operations.

Capital Management

The primary objective of the Company's capital management is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2014 and 2013.

The Company considers the following as its capital:

	2014	2013
	(In Thousands)	
Preferred stock	**₱–**	₱1,000,000
Common stock	**10,559,383**	10,559,383
Additional paid-in capital	**5,503,731**	5,503,731
Equity share in cost of Parent Company shares held by associates	**(2,501)**	(2,501)
Cost of Parent Company preferred and common shares held by subsidiaries	**(1,604,824)**	(2,257,631)
Retained earnings	**6,530,078**	4,533,666
	₱20,985,867	₱19,336,648

Fair Value of Financial Assets and Financial Liabilities

Set out below is a comparison by category and by class of carrying values and fair values of all the Company's financial assets and financial liabilities:

	2014				
	Carrying Value	**Total**	**Quoted (Unadjusted) Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
			(In Thousands)		
Assets					
Assets measured at fair value -					
Investments held for trading	**₱262,815**	**₱262,815**	**₱262,815**	**₱–**	**₱–**
AFS financial assets (quoted)	**1,879,730**	**1,879,730**	**1,879,730**	**–**	**–**
Assets for which fair value is disclosed:					
Loans and receivables:					
Receivables:					
Trade	**625,164**	**689,485**	**–**	**689,485**	**–**
Finance lease receivable	**9,589,492**	**9,589,492**	**–**	**–**	**9,589,492**
Liabilities					
Liabilities for which fair value is disclosed:					
Nontrade liability	**4,241,256**	**4,241,256**	**–**	**–**	**4,241,256**
Long-term debt	**1,750,000**	**1,408,364**	**–**	**1,408,364**	**–**
Obligations under finance lease	**92,850**	**92,850**	**–**	**92,850**	**–**

	2013				
	Carrying Value	Total	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(In Thousands)		
Assets					
Assets measured at fair value -					
AFS financial assets (quoted)	₱1,619,455	₱1,619,455	₱1,619,455	₱–	₱–
Assets for which fair value is disclosed:					
Loans and receivables:					
Receivables:					
Trade	892,143	858,213	–	858,213	–
Finance lease receivable	9,752,212	9,752,212	–	–	9,752,212
HTM investments	750,000	787,078	–	787,078	–
Liabilities					
Liabilities for which fair value is disclosed:					
Nontrade liability	4,000,000	4,000,000	–	–	4,000,000
Long-term debt	1,502,800	1,417,169	–	–	1,417,169

The Company has no financial liabilities measured at fair value as at December 31, 2014 and 2013. There were no transfers between fair value measurements in 2014 and 2013.

The following methods and assumptions are used to estimate the fair value of each class of financial assets and financial liabilities:

Cash and Cash Equivalents, Short-term Investments, Advances to Associates, Receivables, Loans Payable and Trade and Other Current Liabilities. The carrying values of these financial assets approximate their fair values due to the relatively short-term maturities of these financial assets and financial liabilities.

Trade Receivables. The fair value of trade receivables from real estate sales, except for receivables assigned with recourse, is determined by discounting the estimated cash flows using prevailing interest rates as at reporting dates. The discount rates used ranged from 1.0% to 5.9% in 2014 and 1.0% to 4.8% in 2013.

For receivables with recourse, the fair value of these instruments is determined by discounting the expected future cash flows using the discount rates ranging from 3.5% to 5.0% in 2013.

The carrying amount of other trade receivables approximates their fair values due to their short-term nature.

Finance Lease Receivables. The fair value of finance lease receivable is determined by discounting the estimated cash flows using prevailing interest rate of 15.8% in 2014 and 2013.

Investments Held for Trading, HTM Investments and AFS Financial Assets. The fair values of investments held for trading, HTM investments in quoted debt securities and AFS financial assets in quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date. There are no quoted market prices for the unlisted shares and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

Nontrade Liability. The fair value of nontrade liability is determined by discounting estimated cash flows using effective interest rate of 13.1% in 2014.

Long-term Debt. The fair value of US FRNs and long-term loans payable is determined by discounting the obligations' expected future cash flows using the discount rate of nil and 5.3% to 5.7%, respectively, in 2014 and 2.4% and 10.8% to 11.1%, respectively, in 2013.

Installment Payable and Obligations under Finance Lease. The fair value of installment payable and obligations under finance lease with fixed interest rate is based on the discounted net present value of cash flows using the prevailing MART 1 rates ranging from 0.78% to 4.14% in 2013.

45. Supplemental Disclosure of Cash Flow Information and Others

The significant noncash transactions entered into by the Company in 2014 are as follows:

	Amount
	(In Thousands)
Acquisition on controlling interest – reduction in investment account	(₱2,464,016)
Cancellation of the share swap agreement between PLC and LIR	1,219,133

The Company has reclassified finance lease receivable and certain receivables aggregating to ₱1,413.5 million from noncurrent to current assets as well as certain other assets from current to noncurrent assets amounting to ₱403.7 million as at December 31, 2013 to properly reflect the classification of the assets. The reclassifications did not affect the total assets.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Belle Corporation
5th Floor, Tower A
Two E-Com Center, Palm Coast Avenue
Mall of Asia Complex, CBP-1A, Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Belle Corporation and Subsidiaries as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated March 6, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel

Marydith C. Miguel
Partner
CPA Certificate No. 65556
SEC Accreditation No. 0087-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
Tax Identification No. 102-092-270
BIR Accreditation No. 08-001998-55-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751303, January 5, 2015, Makati City

March 6, 2015

Belle Corporation and Subsidiaries
Index to Supplementary Schedules
Form 17-A, Item 7
As at December 31, 2014

Supplementary Schedules

A. Financial Assets

B. Amounts of receivables from Directors, Officers, Employees and Principal Stockholders (other than related parties)

C. Amounts of Receivables from Related Parties which are Eliminated during the Consolidation of Financial Statements.

D. Intangible Assets - Other Assets

E. Long-term Debt

F. Indebtedness to Related Parties

G. Guarantees of Securities of Other Issuers

H. Capital Stock

I. Reconciliation of Retained Earnings Available for Dividend Declaration

J. Key Financial Ratios

Belle Corporation and Subsidiaries
Schedule A - Financial Assets
As at December 31, 2014
(Amounts in Thousands)

	Name of Issuing Entity and Association of each use	Amount shown in the Balance Sheet	Income received and accrued
Loans and Receivables			
Cash in banks and cash equivalents	N/A	6,319,136	1,671
Trade receivables	N/A	1,217,634	24,468
Related parties	N/A	26,926	
Accrued interest	N/A	1,671	
Advances to third parties and others	N/A	228,680	
Advances to associates	N/A	174,849	
Finance Lease Receivable	MCE Leisure	9,589,492	
		17,558,388	26,139
AFS Financial Assets			
Equity Investments	SM Prime Holdings	1,858,641	
Equity Investments	SM Investments Corporation	21,076	
Equity Investments	Highland Gourmet	2,000	
Equity Investments	The Country Club at Tagaytay Highlands	1,880	
Equity Investments	Costa Del Hamilo	757	
Equity Investments	PLDT	13	
Equity Investments	Others	3,012	
		1,887,379	-
Investments Held for Trading			
Equity Investments	APC Group, Inc.	41,813	
Equity Investments	DFNN, Inc.	84,822	
Equity Investments	Leisure & Resorts World Corporation	62,262	
Equity Investments	Vantage Equities, Inc.	73,348	
Equity Investments	ISM Communications Corp.	411	
Equity Investments	PLDT	160	
		262,815	-
HTM Investments			
Debt investments	SM Investment Corporation	-	-
Total Financial Assets		19,708,582	26,139

Belle Corporation and Subsidiaries
Schedule B - Amounts of Receivables from Directors, Officers, Employees and Principal Stockholders
As at December 31, 2014
(Amounts in Thousands)

Name and Designation of the Debtor	Balance at the Beginning of the Year	Additions	Amounts Collected	Amounts Provided with Allowance	Amounts Written Off	Current	Not Current	Balance at the end of the period
Principal stockholder	31,891	-	(31,886)	-	-	5	-	5
Employees	2,042	4,511	-	-	-	2,469	-	2,469
Officers	3,064	-	(1,828)	-	-	1,236	-	1,236
Directors	450	-	-	-	-	-	450	450
	37,447	4,511	(33,714)	-	-	3,710	450	4,160

Belle Corporation and Subsidiaries
Schedule C. Amounts of Receivables from Related Parties
As at December 31, 2014
(Amounts in Thousands)

Name of Subsidiary	Balance at January 1, 2014	Additions	Amounts Collected	Amounts Provided with Allowance	Reclassification	Current	Not current	Balance at December 31, 2014	Amount Eliminated
Belle Bay Plaza Corporation	763	-	-	-	-	763	-	763	763
Belle Grande Resource Holdings Inc.	15,682	6,576	-	-	-	22,258	-	22,258	22,258
Premium Leisure Corporation	179,011	-	(174,014)	-	-	4,997	-	4,997	4,997
SLW Development Corp.	410,208	-	(311,475)	-	-	98,733	-	98,733	98,733
Parallax Resources, Inc.	705,881	-	(705,881)	-	-	-	-	-	-
	1,311,545	6,576	(1,191,370)	-	-	126,751	-	126,751	126,751

Belle Corporation and Subsidiaries
Schedule D. Intangible Assets
As at December 31, 2014
(Amounts in Thousands)

Description	Beginning Balance	Additions at Cost	Charged to cost and expenses	Charged to other Accounts	Other Changes and Additions	Ending Balance
License - Casino	5,261,186	-	(11,634)	-	-	5,249,552
Goodwill - Acquisition of Subsidiaries	-	-	-	-	1,828,578	1,828,578
	5,261,186	-	(11,634)	-	1,828,578	7,078,130

Belle Corporation and Subsidiaries
Schedule E. Long Term Debt
As at December 31, 2014
(Amounts in Thousands)

Title of Issue and Type of Obligation	Amount Authorized by Indenture		Balance at December 31, 2014		Current Portion of Long Term Debt		Non Current Portion of Long Term Debt		Interest Rate	Amount and Number of Periodic Payments			Maturity Date
	(In Original Currency)	(In PhP)	(In Original Currency)	(In PhP)	(In Original Currency)	(In PhP)	(In Original Currency)	(In PhP)		(In Original Currency)	(Approx in PhP)	Periodic Payments	
Term Loans:													
Maybank Php1B	Php1,000,000	1,000,000	Php250,000	250,000	Php37,500	37,500	Php212,500	212,500	5.25%	Php12,500	12,500	20 quarterly installments	November 2020
RCBC Php1.5B	Php1,500,000	1,500,000	Php1,500,000	1,500,000	Php-	-	Php1,500,000	1,500,000	5.51% - 5.71%	Php100,000	100,000	3 annual installments and the remaining amount on due date	June 30, 2019

Belle Corporation and Subsidiaries
Schedule F. Indebtedness to Related Parties
As at December 31, 2014

Name of Related Parties	Balance at January 1, 2014	Additions	Amounts Paid	Current	Not current	Balance at December 31, 2014
Banco de Oro	535,800		535,800	-	-	-

Belle Corporation and Subsidiaries
Schedule G. Guarantees of Securities of Other Issuers
As at December 31, 2014
(Amounts in Thousands)

Name of Issuing Entity of Securities Guaranteed by the Company for which this statement is filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which the Statement is Filed	Nature of Guarantee
Not Applicable				

Belle Corporation and Subsidiaries
H. Capital Stock
As at December 31, 2014

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Subscribed	Number of Shares reserved for stock rights	Number of Shares Held by Related Parties	Number of Shares Held by Directors and Key Executive Officers	Others
Common Stocks	14,000,000,000	10,559,382,799	-	-	5,711,244,686	159,885,816	4,688,252,297
Percentage Held					54.09%	1.51%	44.40%
Preferred Shares	6,000,000,000	-	-	-	-	-	-
Percentage Held					-	-	-

Belle Corporation and Subsidiaries
Schedule J. Key Financial Ratios
As at December 31, 2014 and 2013

		2014	2013
Asset-to-equity Ratio	Total assets over stockholders equity	**1.51 : 1.00**	1.56 : 1.00
Current or Liquidity Ratio	Current assets over current liabilties	**1.99 : 1.00**	1.71 : 1.00
Debt-to-equity Ratio	Interest-bearing debt over stockholders equity	**0.17 : 1.00**	0.29 : 1.00
Net debt-to-equity Ratio	Interest-bearing debt less cash and cash equivalents, HTM investments and escrow fund over stockholders equity	**(0.06) : 1.00**	0.19 : 1.00
Interest Rate Coverage Ratio	Earnings Before Interest and Taxes over interest expense	**13.68 : 1.00**	17.39 : 1.00
Return on Assets	Net income over average total assets during the period	**7.0%**	12.7%
Return on Equity	Net income over average equity during the period	**10.6%**	19.7%

Belle Corporation
Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2014
(Amounts in Thousands)

Unappropriated Retained Earnings as at December 31, 2013		**417,747**
Net income based on the face of 2014 audited financial statements, as reported		6,590,557
Less: Non actual/unrealized income net of tax		
Finance lease receivable adjustments:		
Interest income on finance lease receivable	(1,409,173)	
Loss on finance lease receivable	812,842	
Actual cash receipts on finance lease	784,830	
Depreciation of investment property under finance lease	(158,635)	29,864
Reversal of provision for probable losses		(608,324)
Nontrade liability adjustments:		
Accretion of nontrade liability	533,348	
Payments of nontrade liability	(292,092)	241,256
Unrealized foreign exchange gain on short-term investments		(103)
Deferred tax on nontrade liability		(72,377)
Deferred tax on finance lease adjustments		(8,959)
		(418,643)
Net income actually earned during the period, as adjusted		**6,171,914**
Dividend declarations during the year		**(211,188)**
Unappropriated retained earnings as adjusted to available for dividend declaration, at end of year		**6,378,473**

BELLE CORPORATION AND SUBSIDIARIES
Schedule of all the Effective Standards and Interpretations
December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable	Not Early Adopted
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics					
PFRSs Practice Statement Management Commentary					
Philippine Financial Reporting Standards					
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓			
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		✓	
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		✓	
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		✓	
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		✓	
	Amendments to PFRS 1: Government Loans	✓		✓	
	Annual Improvements to PFRSs (2011-2013) cycle: PFRS 1 – First-time Adoption of International Financial Reporting Standards – Meaning of “Effective PFRSs”	✓		✓	
PFRS 2	Share-based Payment	✓		✓	
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		✓	
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		✓	
	Annual Improvements to PFRSs (2010-2012) cycle: PFRS 2 – Share-based Payment – Definition of Vesting Condition	✓		✓	
PFRS 3 (Revised)	Business Combinations	✓			
	Annual Improvements to PFRSs (2010-2012) cycle: PFRS 3- Business Combination – Accounting for Contingent Consideration in a Business Combination	✓			
	Annual Improvements to PFRSs (2011-2013) cycle: PFRS 3- Business Combination – Scope Exceptions for Joint Arrangements*				✓
PFRS 4	Insurance Contracts	✓		✓	
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Annual Improvements to PFRSs (2012-2014) cycle: PFRS 5 – Non-current Assets held for Sale and Discontinued Operations – Changes in Methods of Disposal*				✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		✓	
PFRS 7	Financial Instruments: Disclosures	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓			
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓			
	Annual Improvements to PFRSs (2012-2014) cycle: PFRS 7 – Financial Instruments – Disclosures – Servicing Contracts *				✓
	Annual Improvements to PFRSs (2012-2014) cycle: PFRS 7 – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*			✓	✓
PFRS 8	Operating Segments	✓			
	Annual Improvements to PFRSs (2010-2012) cycle: PFRS 8 – Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of Reportable Segments' Assets to the Entity's Assets*				✓
PFRS 9	Financial Instruments (2014 version)*				✓
PFRS 10	Consolidated Financial Statements	✓			
	Amendments to PFRS 10: Consolidated Financial Statements – Investment Entities	✓			
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*				✓
PFRS 11	Joint Arrangements	✓			
	Amendments to PFRS 11: Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*				✓
PFRS 12	Disclosure of Interests in Other Entities	✓			
	Amendments to PFRS 12: Disclosure of Interest in Other Entities – Investment Entities	✓			
PFRS 13	Fair Value Measurement	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Annual Improvements to PFRSs (2010-2012) cycle: PFRS 13 – Fair Value Measurement – Short-term Receivables and Payables	✓			
	Annual Improvements to PFRSs (2011-2013) cycle: PFRS 13 – Fair Value Measurement – Portfolio Exception*				✓
PFRS 14	Regulatory Deferral Accounts			✓	✓
Philippine Accounting Standards					
PAS 1 (Revised)	Presentation of Financial Statements	✓			
	Amendment to PAS 1: Capital Disclosures	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		✓	
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓			
PAS 2	Inventories	✓			
PAS 7	Statement of Cash Flows	✓			
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓			
PAS 10	Events after the Reporting Period	✓			
PAS 11	Construction Contracts	✓		✓	
PAS 12	Income Taxes	✓			
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓			
PAS 16	Property, Plant and Equipment	✓			
	Annual Improvements to PFRSs (2010-2012) cycle: PAS 16 – Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*				✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation*				✓
	Amendments to PAS 16: Bearer Plants*			✓	✓
PAS 17	Leases	✓			
PAS 18	Revenue	✓			
PAS 19 (Revised)	Employee Benefits	✓			
	Amendments to PAS 19: Employee Benefits – Defined Benefit Plans: Employee Contributions*				✓
	Annual Improvements to PFRSs (2012-2014) cycle: PAS 19 – Employee Benefits – Regional Market Issue Regarding Discount Rate*				✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	✓		✓	
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓			

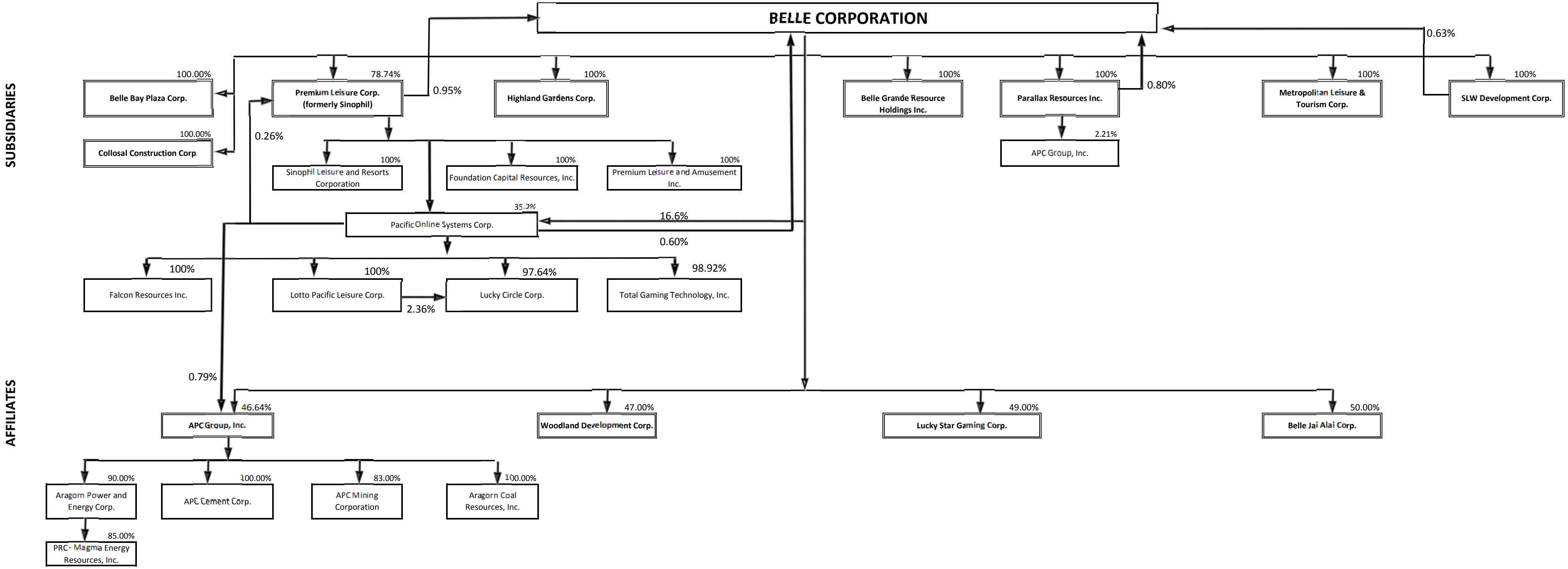
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendment: Net Investment in a Foreign Operation	✓		✓	
PAS 23 (Revised)	Borrowing Costs	✓			
PAS 24 (Revised)	Related Party Disclosures	✓			
	Annual Improvements to PFRSs (2010-2012) cycle: PAS 24 – Related Party Disclosures – Key Management Personnel *				✓
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		✓	
PAS 27 (Revised)	Separate Financial Statements	✓			
	Amendments to PAS 27: Separate Financial Statements – Investment Entities	✓		✓	
	Amendments to PAS 27: Equity Method in Separate Financial Statements*			✓	✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓			
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*				✓
PAS 29	Financial Reporting in Hyperinflationary Economies	✓		✓	
PAS 32	Financial Instruments: Disclosure and Presentation	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		✓	
	Amendment to PAS 32: Classification of Rights Issues	✓		✓	
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓			
PAS 33	Earnings per Share	✓			
PAS 34	Interim Financial Reporting	✓		✓	
	Annual Improvements to PFRSs (2012-2014) cycle: PAS 34 – Interim Financial Reporting – Disclosure of Information “Elsewhere in the Interim Financial Report” *			✓	✓
PAS 36	Impairment of Assets	✓			
	Amendments to PAS 36: Recoverable Amount of Disclosures for Non-Financial Assets	✓			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓			
PAS 38	Intangible Assets	✓			
	Annual Improvements to PFRSs (2010-2012) cycle: PAS 38 – Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*				✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization*				✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 39	Financial Instruments: Recognition and Measurement	✓			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓			
	Amendments to PAS 39: The Fair Value Option	✓			
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓			
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓			
	Amendment to PAS 39: Eligible Hedged Items	✓			
	Amendments to PAS 39: Financial Instruments – Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	✓			
PAS 40	Investment Property	✓			
	Annual Improvements to PFRSs (2011-2013) cycle: PAS 40 – Investment Property*				✓
PAS 41	Agriculture	✓		✓	
	Amendments to PAS 41: Bearer Plants*			✓	✓
Philippine Interpretations					
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓			
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	✓		✓	
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓			
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		✓	
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*	✓		✓	
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*	✓		✓	
IFRIC 9	Reassessment of Embedded Derivatives	✓			
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓			
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		✓	
IFRIC 12	Service Concession Arrangements	✓		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable	Not Early Adopted
IFRIC 13	Customer Loyalty Programmes	✓		✓	
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		✓	
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	✓		✓	
IFRIC 15	Agreement for the Construction of Real Estate*			✓	✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	✓		✓	
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		✓	
IFRIC 18	Transfers of Assets from Customers	✓		✓	
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓			
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		✓	
IFRIC 21	Levies	✓			
SIC-7	Introduction of the Euro	✓		✓	
SIC-10	Government Assistance - No Specific Relation to Operating Activities	✓		✓	
SIC-15	Operating Leases – Incentives	✓		✓	
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		✓	
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓			
SIC-29	Service Concession Arrangements: Disclosures	✓		✓	
SIC-31	Revenue - Barter Transactions Involving Advertising Services	✓		✓	
SIC-32	Intangible Assets - Web Site Costs	✓			

** Standards or amendments which will become effective subsequent to December 31, 2014.*

Belle Corporation
Conglomerate Map
As of December 31, 2014
Annex I



INDEX TO EXHIBITS

Form 11-A

No.	Page No.
(3) Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	*
(5) Instruments Defining the Rights of Security Holders, Including Indentures	*
(8) Voting Trust Agreement	*
(9) Material Contracts	*
(10) Annual Report to Security Holders, Form 11-Q or Quarterly Report to Security Holders	*
(13) Letter re Change in Certifying Accountant	*
(16) Report Furnished to Security Holders	*
(19) Published Report Regarding Matters Submitted to Vote of Security Holders	*
(20) Consent of Experts and Independent Counsel	*
(21) Power of Attorney	*

____

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