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, 2013 and 2012, 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 8th day of March, 2014

MAKATI CITY

MAR 1 4 2014

SUBSCRIBED AND SWORN to before me this __th day of ______ 2014 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# EA0000168 TIN# 101-935-043	December 15, 2009	DFA Manila
Frederic C. DyBuncio	Passport# EB0923285 TIN# 103-432-824	September 10, 2010	PCG San Francisco
Manuel A. Gana	CTC# 34219223 TIN# 906-105-409	January 13, 2014	Manila

CHESTER V. BORDEOS
Notary Public
Until 31 December 2014
Roll No. 41934
PTR No. 4236044; 01/09/14; Makati City
IBP LRN 07903; 01/08/09; Albay

DOC No. 477;
PAGE No. 97;
BOOK No. V;
SERIES OF 2014.

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

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, 2013 and 2012, 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, 2013, 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.

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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, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Clairma T. Mangangey

Clairma T. Mangangey
Partner
CPA Certificate No. 86898
SEC Accreditation No. 0779-AR-1 (Group A),
February 2, 2012, valid until February 1, 2015
Tax Identification No. 129-434-867
BIR Accreditation No. 08-001998-67-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225188, January 2, 2014, Makati City

March 8, 2014

BELLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31, 2013	December 31, 2012 (As restated - Note 3)	January 1, 2012 (As restated - Note 3)
ASSETS			
Cash and Cash Equivalents (Notes 8, 33, 37 and 38)	₱1,170,396	₱1,419,711	₱2,766,880
Short-term Investments (Notes 8, 37 and 38)	–	965	9,668
Receivables (Notes 9, 33, 37 and 38)	1,210,787	1,352,972	930,124
Subscription Receivables (Notes 23 and 38)	–	–	2,082,920
Finance Lease Receivable (Notes 31 and 34)	9,752,212	–	–
Real Estate for Sale - at cost (Notes 10, 19, 20 and 38)	3,592,276	2,901,335	3,036,153
Club Shares - at cost (Notes 11, 19, 33 and 38)	2,810,221	2,812,642	2,786,148
Investments in and Advances to Associates - Net (Notes 12, 19, 21, 23, 33, 37, 38 and 39)	978,016	1,883,059	2,118,166
Held-to-maturity Investments (Notes 13, 33 and 37)	750,000	750,000	–
Available-for-sale Financial Assets (Notes 14 and 37)	1,773,793	28,619	22,336
Advances to Related Parties - Net (Notes 33, 37 and 38)	11,587	482,469	457,764
Investment Properties (Notes 15, 21, 31 and 34)	2,958,707	5,584,824	2,434,194
Property and Equipment (Notes 16 and 27)	176,014	160,283	175,599
Intangible Asset (Notes 17, 34 and 39)	5,261,186	5,261,186	5,261,186
Escrow Fund (Notes 21, 33, 34 and 37)	–	2,064,450	–
Pension Asset (Notes 3 and 32)	12,515	1,643	3,568
Other Assets (Notes 16, 18, 21 and 30)	1,096,138	758,284	562,390
	₱31,553,848	₱25,462,442	₱22,647,096
LIABILITIES AND EQUITY			
Liabilities			
Loans payable (Notes 19, 33, 37 and 38)	₱200,466	₱2,081,714	₱2,155,857
Accounts payable and other liabilities (Notes 10, 20, 33, 37 and 38)	2,469,852	1,869,808	1,750,935
Income tax payable (Note 30)	–	416	8,258
Long-term debt (Notes 21, 33 and 37)	1,502,800	4,719,165	2,559,584
Nontrade liability (Note 22)	4,000,000	–	–
Estimated liability on construction costs (Notes 15, 31 and 34)	2,247,567	–	–
Deferred tax liabilities - net (Note 30)	836,530	167,944	89,045
Assignment of receivables with recourse (Notes 9, 33, 37 and 38)	89,549	–	–
Total Liabilities	11,346,764	8,839,047	6,563,679

(Forward)

	December 31, 2013	December 31, 2012 (As restated - Note 3)	January 1, 2012 (As restated - Note 3)
Equity			
Attributable to equity holders of the parent:			
Preferred stock - issued (Notes 23 and 33)	**₱1,000,000**	₱1,000,000	₱1,000,000
Common stock (Note 23):			
Issued	**10,559,383**	10,559,383	9,170,770
Subscribed	**–**	–	1,388,613
Additional paid-in capital (Notes 17 and 23)	**5,503,731**	5,503,731	5,503,731
Equity share in cost of Parent Company shares held by associates (Note 23)	**(2,501)**	(731,696)	(731,696)
Cost of Parent Company common and preferred shares held by subsidiaries (Note 3 and 23)	**(2,257,631)**	(562,375)	(497,758)
Unrealized gain on available-for-sale financial assets - net (Notes 12, 14 and 30)	**(190,785)**	14,868	8,585
Retained earnings (Note 23)	**4,533,666**	893,813	338,093
Other reserves (Notes 12 and 32)	**21,386**	(1,225)	(43,874)
Excess of cost over net asset value of an investment (Note 12)	**252,040**	–	–
Total Equity Attributable to Equity Holders of the Parent	**19,419,289**	16,676,499	16,136,464
Non-controlling interests	**787,795**	(53,104)	(53,047)
Total Equity	**20,207,084**	16,623,395	16,083,417
	₱31,553,848	₱25,462,442	₱22,647,096

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		
	2013	2012 (As restated - Note 3)	2011 (As restated - Note 3)
REVENUE			
Interest income on finance lease (Note 31)	**₱1,177,570**	₱–	₱–
Termination income (Note 34)	**949,608**	–	–
Sale of real estate and club shares	**175,280**	323,563	520,176
Lease income (Note 31)	**157,136**	18,427	62,070
Revenue from property management	**105,033**	95,272	97,530
Others (Notes 9 and 24)	**59,620**	57,171	95,574
	2,624,247	494,433	775,350
COST OF REAL ESTATE AND CLUB SHARES SOLD (Note 25)	**(115,389)**	(117,152)	(235,983)
COST OF SERVICES FOR PROPERTY MANAGEMENT (Note 26)	**(60,269)**	(72,943)	(78,829)
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 16, 27, 31, 32 and 33)	**(642,642)**	(275,450)	(233,065)
DAY 1 GAIN ON FINANCE LEASE (Notes 15, 31 and 34)	**2,324,434**	–	–
GAIN ON SHARE SWAP (Note 12)	**772,247**	–	–
EQUITY IN NET EARNINGS OF ASSOCIATES (Note 12)	**119,940**	288,730	140,484
INTEREST EXPENSE (Notes 9, 19, 21, 28 and 33)	**(103,852)**	(128,151)	(158,160)
NET FOREIGN EXCHANGE GAIN (LOSS) (Note 21)	**(86,167)**	(36,718)	270
INTEREST INCOME (Notes 8, 9, 13, 28, 33 and 34)	**56,112**	116,453	28,498
GAIN ON LIQUIDATING DIVIDEND (Notes 12, 15 and 39)	–	539,671	–
OTHER INCOME (CHARGES) - Net (Notes 9, 12, 16, 29 and 33)	**81,052**	(95,064)	(12,910)
INCOME BEFORE INCOME TAX	**4,969,713**	713,809	225,655
PROVISION FOR INCOME TAX (Note 30)			
Current	**305,577**	79,154	15,972
Deferred	**1,027,952**	78,992	7,758
	1,333,529	158,146	23,730
NET INCOME	**3,636,184**	555,663	201,925

(Forward)

	Years Ended December 31		
	2013	2012 (As restated - Note 3)	2011 (As restated - Note 3)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) on available-for-sale financial assets of associates (Note 12)	**(₱8,560)**	₱46,362	(₱24,477)
Unrealized gain (loss) on available-for-sale financial assets - net (Note 14)	**(205,653)**	6,283	8,585
	(214,213)	52,645	(15,892)
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) of defined benefit asset (Notes 3 and 32)	**4,116**	(3,713)	998
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱3,426,087**	₱604,595	₱187,031
Net profit attributable to:			
Equity holders of the parent (Note 36)	**₱3,639,853**	₱555,720	₱201,982
Non-controlling interests	**(3,669)**	(57)	(57)
	₱3,636,184	₱555,663	₱201,925
Total comprehensive income attributable to:			
Equity holders of the parent	**₱3,429,756**	₱604,652	₱187,088
Non-controlling interests	**(3,669)**	(57)	(57)
	₱3,426,087	₱604,595	₱187,031
Basic/Diluted Earnings Per Share (Note 36)	**₱0.352**	₱0.054	₱0.024

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent													
							Other Reserves							
	Preferred Stock (Notes 23 and 33)	Common Stock (Note 23)	Additional Paid-in Capital (Note 23)	Equity Share in Cost of Parent Company Shares Held by Associates (Notes 12 and 23)	Cost of Parent Company Common and Preferred Shares Held by Subsidiaries (Note 23)	Unrealized Gain on Available-for-Sale Financial Assets - net (Note 14)	Share in Cumulative Translation Adjustments of an Associate (Note 12)	Share in Unrealized Gain (Loss) on Available-for-Sale Financial Assets of Associates (Note 12)	Re-measurement of Pension Income (Expense) (Note 32)	Excess of Cost over Net Asset Value of an Investment	Retained Earnings (Deficit) (Note 23)	Total	Non-controlling Interests	Total Equity
Balance at December 31, 2012, as previously reported	₱1,000,000	₱10,559,383	₱5,503,731	(₱731,696)	(₱562,375)	₱14,868	(₱26,393)	₱20,386	₱–	₱–	₱893,754	₱16,671,658	(₱53,104)	₱16,618,554
Effect of adoption of revised PAS 19 (Note 3)	–	–	–	–	–	–	–	–	4,782	–	59	4,841	–	4,841
Balance at December 31, 2012, as restated	1,000,000	10,559,383	5,503,731	(731,696)	(562,375)	14,868	(26,393)	20,386	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	–	–	–	–	–	–	26,393	662	–	–	–	27,055	–	27,055
Acquisition of additional non-controlling interest in Sinophil	–	–	–	–	–	–	–	–	–	–	–	–	844,568	844,568
Net income	–	–	–	–	–	–	–	–		–	3,639,853	3,639,853	(3,669)	3,636,184
Other comprehensive 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

	Attributable to Equity Holders of the Parent												
							Other Reserves						
	Preferred Stock (Notes 23 and 32)	Common Stock (Note 23)	Additional Paid-in Capital (Note 23)	Equity Share in Cost of Parent Company Shares Held by Associates (Notes 12 and 23)	Cost of Parent Company Common and Preferred Shares Held by Subsidiaries (Note 23)	Unrealized Gain on Available-for-Sale Financial Assets - Net (Note 14)	Share in Cumulative Translation Adjustments of an Associate (Note 12)	Share in Unrealized Gain (Loss) on Available-for-Sale Financial Assets of Associates (Note 12)	Re-measurement of Pension Income (expense) (Note 32)	Retained Earnings (Deficit) (Note 23)	Total	Non-controlling Interests	Total Equity
Balance at December 31, 2011, as previously reported	₱1,000,000	₱10,559,383	₱5,503,731	(₱731,696)	(₱497,758)	₱8,585	(₱26,393)	(₱25,976)	₱–	₱338,243	₱16,128,119	(₱53,047)	₱16,075,072
Effect of adoption of revised PAS 19 (Note 3)	–	–	–	–	–	–	–	–	8,495	(150)	8,345	–	8,345
Balance at December 31, 2011, as restated	1,000,000	10,559,383	5,503,731	(731,696)	(497,758)	8,585	(26,393)	(25,976)	8,495	338,093	16,136,464	(53,047)	16,083,417
Acquisitions of parent company common and preferred shares by subsidiaries		–			(64,617)				–		(64,617)		(64,617)
Net income					–				–	555,720	555,720	(57)	555,663
Other comprehensive income	–	–	–	–	–	6,283	–	46,362	(3,713)	–	48,932	–	48,932
Total comprehensive income 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	(₱26,393)	₱20,386	₱4,782	₱893,813	₱16,676,499	(₱53,104)	₱16,623,395
Balance at December 31, 2010, as previously reported	₱1,000,000	₱6,350,900	₱–	(₱731,696)	(₱497,758)	₱–	(₱26,393)	(₱1,499)	₱–	₱137,726	₱6,231,280	(₱52,990)	₱6,178,290
Effect of adoption of revised PAS 19 (Note 3)	–	–	–	–	–	–	–	–	7,497	(1,615)	5,882	–	5,882
Balance at December 31, 2010, as restated	1,000,000	6,350,900	–	(731,696)	(497,758)	–	(26,393)	(1,499)	7,497	136,111	6,237,162	(52,990)	6,184,172
Issuance during the year		2,819,870	2,776,140						–		5,596,010		5,596,010
Subscriptions during the year		1,388,612	2,727,591						–		4,116,204		4,116,204
Net income	–	–	–	–	–	–	–	–	–	201,982	201,982	(57)	201,925
Other comprehensive loss	–	–	–	–	–	8,585	–	(24,477)	998	–	(14,894)	–	(14,894)
Total comprehensive income for the year	–	–	–	–	–	8,585	–	(24,477)	998	201,982	187,088	(57)	187,031
Balance at December 31, 2011	₱1,000,000	₱10,559,383	₱5,503,731	(₱731,696)	(₱497,758)	₱8,585	(₱26,393)	(₱25,976)	₱8,495	₱338,093	₱16,136,464	(₱53,047)	₱16,083,417

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2013	2012 (As restated - Note 3)	2011 (As restated - Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱4,969,713**	₱713,809	₱225,655
Adjustments for:			
Day 1 gain in finance lease (Notes 15, 31 and 34)	**(2,324,434)**	–	–
Interest income on finance lease (Note 31)	**(1,177,570)**	–	–
Gain on share swap (Note 12)	**(772,247)**	–	–
Equity in net earnings of associates (Note 12)	**(119,940)**	(288,730)	(140,484)
Interest expense (Note 28)	**103,852**	128,151	158,160
Unrealized foreign exchange loss - net	**86,167**	37,325	31
Interest income (Note 28)	**(56,112)**	(116,453)	(28,498)
Gain on sale of:			
Property and equipment (Note 29)	**(72,026)**	(612)	–
Investment (Note 12)	**–**	–	(10,234)
Depreciation and amortization (Notes 16 and 27)	**34,939**	30,926	27,059
Amortization of discount on trade receivables (Notes 9 and 24)	**(32,280)**	(29,392)	(54,465)
Pension costs (Notes 27 and 32)	**5,318**	4,992	3,371
Provision for (reversal of) allowance:			
Probable loss on other assets (Note 29)	**4,418**	(368)	–
Doubtful accounts	**352**	–	–
Impairment loss on advances to associates (Notes 12, 29 and 33)	**–**	10,633	–
Impairment loss on advances to related parties (Notes 29 and 33)	**–**	2,121	–
Gain on liquidating dividend (Notes 12 and 15)	**–**	(539,671)	–
Dividend income	**–**	(272)	(278)
Working capital adjustments:			
Decrease (increase) in:			
Receivables	**2,556,864**	(374,550)	246,136
Real estate for sale	**(690,941)**	134,818	(23,257)
Club shares	**2,421**	(26,494)	30,294
Other assets	**(331,509)**	(183,951)	(207,420)
Increase in accounts payable and other liabilities	**(3,515,856)**	140,557	184,607
Net cash generated from (used for) operations	**(1,328,871)**	(357,161)	410,677
Interest received	**1,214,806**	97,547	23,105
Income taxes paid	**(325,601)**	(86,996)	(7,714)
Contributions to the retirement fund (Note 32)	**(10,310)**	(8,371)	(8,372)
Net cash provided by (used in) operating activities	**(449,976)**	(354,981)	417,696

(Forward)

	Years Ended December 31		
	2013	2012 (As restated - Note 3)	2011 (As restated - Note 3)
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures on investment properties (Note 15)	**(₱1,088,349)**	(₱2,077,813)	(₱1,940,949)
Decrease (increase) in:			
Escrow fund (Notes 33 and 34)	**2,064,450**	(2,162,100)	–
Investments in and advances to associates and related parties	**463,014**	(46,356)	(19,123)
Short-term investments	**965**	7,017	(9,668)
Acquisitions of:			
Property and equipment (Note 16)	**(41,821)**	(27,185)	(24,200)
Held-to-maturity investments (Note 13)	**–**	(750,000)	–
Dividends received	**–**	272	44,692
Proceeds from disposal of:			
Property and equipment (Notes 16 and 29)	**76,294**	612	–
Investments in an associate (Note 12)	**–**	–	25,125
Net cash provided by (used in) investing activities	**1,474,553**	(5,055,553)	(1,924,123)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loans payable	**(5,250,037)**	(94,143)	(371,868)
Interest	**(135,586)**	(117,054)	(140,783)
Assignment of receivables with recourse	**–**	–	(5,027)
Proceeds from:			
ABLGI advance	**4,000,000**	–	–
Availment of loans and assignment of receivables with recourse (Notes 19 and 21)	**229,941**	2,222,318	2,379,855
Stock rights offering (Note 23)	**–**	2,082,920	2,368,108
Increase (decrease) in advances from related parties	**(105,791)**	(31,283)	1,874
Net cash provided by (used in) financing activities	**(1,261,473)**	4,062,758	4,232,159
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(12,419)**	607	96
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(249,315)**	(1,347,169)	2,725,828
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,419,711**	2,766,880	41,052
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 8)	**₱1,170,396**	₱1,419,711	₱2,766,880

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, 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 8, 2014.

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 certain available-for-sale (AFS) financial assets that have been measured at fair value (see Note 14). 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.

In addition, the Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at January 1, 2012 is presented in the consolidated financial statements due to retrospective application of certain accounting policies (see Note 3).

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 Belle and the following subsidiaries (collectively referred to as "the Company") that it controls:

	Percentage of Ownership		
Subsidiaries	**2013**	2012	2011
Belle Bay Plaza Corporation (Belle Bay Plaza)**	**100**	100	100
Colossal Construction Corporation**	**100**	100	100
Metropolitan Leisure and Tourism Corporation**	**100**	100	100

(Forward)

Subsidiaries	Percentage of Ownership 2013	2012	2011
Parallax Resources, Inc. (Parallax)	**100**	100	100
SLW Development Corporation (SLW)**	**100**	100	100
PremiumLeisure and Amusement, Inc. (PLAI)	**100**	100	100
Belle Grande Resource Holdings, Inc. (Belle Grande)*	**100**	–	–
Highland Gardens Corporation (HGC)**	**80**	80	80
Sinophil Corporation (Sinophil)***	**58**	–	–

** Incorporated in December 2013*
*** Non-operating*
**** Effective ownership interest*

The subsidiaries are all incorporated in the Philippines.

The subsidiaries are consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies. All significant intercompany balances, transactions, income and expense and profits and losses from intercompany transactions are eliminated in full in the consolidation.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new, revised and amended Philippine Accounting Standards (PAS), PFRS and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which were adopted as at January 1, 2013. The adoption of the following amendments and interpretations did not have material effect on the accounting policies, financial position or performance of the Company, except for additional disclosures.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments) - The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Company's financial position or performance.

- PAS 19, *Employee Benefits* (Amendment) - On January 1, 2013, the Company adopted the PAS 19, *Employee Benefits* (Revised).

  For defined benefit plans, the PAS 19 (Revised) requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

Prior to adoption of the PAS 19 (Revised), the Company recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the PAS 19 (Revised), the Company changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

The PAS 19 (Revised) replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The PAS 19 (Revised) also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the PAS 19 (Revised) modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Company's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of adoption on the financial statements are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
		(In Thousands)	
Increase (decrease) in:			
Consolidated statements of financial position			
Pension liability	**(₱1,841)**	(₱5,272)	(₱8,354)
Pension asset	**12,515**	1,643	3,568
Deferred tax asset	**(552)**	(1,582)	(2,506)
Deferred tax liability	**3,754**	493	1,071
Other comprehensive income - net of tax	**8,898**	4,782	8,495
Retained earnings	**1,152**	59	(150)

	For the Years Ended December 31		
	2013	2012	2011
		(In Thousands)	
Consolidated statements of comprehensive income			
General and administrative expenses	**(₱1,561)**	(₱298)	(₱2,093)
Income tax effect	**468**	89	628
Profit for the year	**1,093**	209	1,465
Remeasurement gains (losses) of defined benefit obligation - net of tax	**4,116**	(3,713)	998
Basic earnings per share	**0.002**	–	0.001

The adoption did have not impact on the consolidated statements of cash flows.

- PAS 27 *Separate Financial Statements* (as revised in 2011) - As a consequence of the new PFRS 10, *Consolidated Financial Statements,* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities (JCEs), and associates in separate financial statements. The amendment did not have an impact on the Company's financial position or performance.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011) - As a consequence of the new PFRS 11, *Joint Arrangements,* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment will have no impact on the Company's financial position or performance.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments) - The amendment requires an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation.* These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a. The gross amounts of those recognized financial assets and recognized financial liabilities;
  b. The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c. The net amounts presented in the statement of financial position;
  d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     - Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     - Amounts related to financial collateral (including cash collateral); and
  e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendment affects disclosures only and has no impact on the Company's financial position or performance.

- PFRS 10 - PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC) - 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

- PFRS 11 - PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Nonmonetary Contributions by Venturers*. PFRS 11 removed the option to account for JCEs using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will have no impact on the Company's financial position or performance.

- PFRS 12, - PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). PFRS 12 affects disclosures only and has no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement* - PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures. As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The application of PFRS 13 affects disclosures only and has no impact on the Company's financial position or performance.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* - This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Company.

The *Annual Improvements to PFRS* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRS. The Company adopted these amendments for the current year.

- PAS 1, *Clarification of the requirement for comparative information* - These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. The amendment did not have an impact on the Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment* - The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment did not have an impact on the Company's financial position or performance.

- PAS 32, *Tax effect of distribution to holders of equity instruments* - The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment did not have an impact on the Company's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities* - The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

- PFRS 1, *First-time Adoption of PFRS – Borrowing Costs* - The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Company as it is not a first-time adopter of PFRS.

4. 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 consolidated financial statements.

- Amendments to PFRS 10, PFRS 12 and PAS 27 - *Investment Entities*. These amendments are effective for annual periods beginning on or after January 1, 2014. They 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.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments). The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

- PAS 32, *Offsetting Financial Assets and Financial Liabilities* (Amendments) - The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments) - These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments) - These amendments are effective for annual periods beginning on or after January 1, 2014. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27) - These amendments are effective for annual periods beginning on or after January 1, 2014. They 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 (FVPL).

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21) - IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. 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.

- PFRS 9, *Financial Instruments* PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replacing PAS 39 in its entirety. 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 FVPL. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the fair value option, 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 relating to the entity's own 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 bifurcation 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 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- 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 Securities and Exchange Commission (SEC) and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The Company continues to assess the impact of the above new, amended and improved accounting standards and interpretations effective subsequent to December 31, 2013 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the Company's financial statements when these amendments are adopted.

Annual Improvements to PFRS (2009-2011 cycle)
This contains non-urgent but necessary amendments to PFRS. The Company adopted these amendments in the current year. The Company does not expect these amendments to have significant impact on its financial statements, unless otherwise stated.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information.*

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment.*

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments.*

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities.*

Annual Improvements to PFRS (2010-2012 cycle)
The Annual Improvements to PFRS (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition.* The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014.

- 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 PAS 39. The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014.

- 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. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables.* The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. This amendment is effective for annual periods beginning on or after July 1, 2014.

- 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 is effective for annual periods beginning on or after July 1, 2014. 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. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.

- 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 are effective for annual periods beginning on or after July 1, 2014. 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)
The Annual Improvements to PFRS (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of Effective PFRS*. The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- 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. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- 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. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- 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. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

5. Summary of Significant Accounting Policies

Cash and Cash Equivalents
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.

Financial Assets

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 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), directly attributable transaction costs.

Categories of Financial Assets. Financial assets 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, 2013 and 2012, the Company has no financial assets designated at FVPL and derivatives designated as hedging instruments.

- 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 cash in banks and cash equivalents, short-term investments, 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 Note 37).

- HTM Investments

  HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity 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, 2012 (see Note 13).

- AFS Financial Assets

  AFS financial assets are those nonderivative financial assets that are designated as AFS financial assets or are not classified as FVPL, loans and receivables and HTM investments. 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 14).

Subsequent Measurement. The subsequent measurement of financial assets depends on their classification as follows:

- Loans and Receivables

  After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate (EIR) method less any allowance for impairment. 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.

- 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 that are an integral part of the EIR.

- AFS Financial Assets

  After initial measurement, AFS financial assets are 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 evaluated its AFS financial assets whether the ability and intention to sell them 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 out of the AFS financial assets category, 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 effective interest 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 moving average 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 of the consideration received which is determined by reference to the transaction price or other market prices, and in the case of other financial liabilities, inclusive of any directly attributable transaction costs. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

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, 2013 and 2012, 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., accounts payable and other current liabilities).

As at December 31, 2013 and 2012, this category includes the Company's loans payable, accounts payable and other liabilities (excluding customers' deposits, statutory payables and other liabilities to the government) and long-term debt (see Note 37).

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.

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.

Determination of Fair Value
The fair value for financial assets and financial liabilities traded in active markets at reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For financial assets and financial liabilities where there is no active market, except for investment in unquoted equity securities, fair value is determined by using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis; and options pricing models. In the absence of a reliable basis for determining fair value, investments in unquoted equity securities are carried at cost, net of impairment.

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets and financial liabilities by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly; and,
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair value measurement disclosures are presented in Note 37.

Amortized Cost of Financial Assets and Financial Liabilities
Amortized cost is computed using the EIR method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

<u>"Day 1" Difference</u>
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.

<u>Classification of Financial Assets and Financial Liabilities Between Debt and Equity</u>
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.

<u>Impairment of Financial Assets</u>
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 the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the 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 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.

<u>Real Estate for Sale</u>
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 and borrowing 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. 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.

<u>Club Shares</u>
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, including borrowing costs during the development stage. NRV is the estimated selling price less estimated cost to complete and sell.

Investments in Associates
Investments in associates are accounted for under the equity method. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associates, less any impairment in value.

The profit or loss in the consolidated statement of comprehensive income reflects the Company's share of the financial performance 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 share in income or loss of associates is presented as part of profit or loss in 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.

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.

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 equals 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 that the investment in associates is impaired. If this is the case, 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 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.

Investment Properties
Investment properties include 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 property is stated at amortized cost less impairment, 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.

Property Acquisitions and Business Combinations
Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. The basis of judgment is set out in Note 6.

Business combination of entities under common control is accounted for using a method similar to pooling of interest. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated to the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises. Otherwise, acquisitions are accounted for as business combinations.

Property and Equipment
Property and equipment, except land, are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation, amortization and impairment in value. Such cost consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of replacing part of the property and equipment is included in the carrying amount when the cost incurred meets the recognition criteria. When major repairs and maintenance 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. Land is carried at cost less any impairment in value.

Depreciation and amortization commences once the assets are available for use and is computed using the straight-line method over the following estimated useful lives of the assets:

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 years or the term of the lease, whichever is shorter
Office furniture, fixtures and equipment	5 years

The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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 and the property and equipment are ready for service. 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 and no further depreciation is charged to current operations.

Intangible Asset

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 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 is 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 is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in the 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 the 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 in value and 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 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.

Project Development Costs. Costs incurred by subsidiaries in the development of its leisure, entertainment and residential projects are capitalized. An allowance for impairment in value is provided on the portion of such costs which is not likely to be recoverable. These are written off against the allowance when the costs are determined to be unrecoverable.

Supplies Inventory. Supplies inventory is valued at the lower of cost and NRV. Cost is determined using the moving average method. NRV of supplies inventory is the current replacement cost.

Impairment of Nonfinancial Assets

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 cash-generating unit's fair value less costs to sell or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs to sell, 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.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined 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. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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.

Equity Share in Cost of Parent Company Shares Held by Associates

Equity share in cost of Parent Company common shares held by associates represent 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 represent 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 HGC 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:

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 "Accounts payable and other liabilities" account in the consolidated statement of financial position.

Commission Income (presented under "Other revenues" 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.

Dividends. Revenue is recognized when the Company's right to receive the payment is established.

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.

Day 1 Gain on Finance Lease. This pertains to the income arising from the difference between the fair value of an asset and its cost. Day 1 gain in finance lease is recognized when incremental economic benefit will flow to the entity and the amount can be measured reliably.

Gain on Share Swap. Gain is recognized upon delivery of shares and upon confirmation of receipt by the other party.

Gain on Liquidating Dividend. Revenue is recognized when the right to receive the payment is established.

Revenue from Property Management. Revenue is recognized as services of providing utilities and maintenance are performed.

Income from Forfeitures. 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.

Interest Income. Interest income from trade 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.

Termination Income. Termination income is recognized when amount is actually collected.

Penalty. 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 or 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. 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 change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in 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.

Company as a lessor
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 charges and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the receivable. Finance charges are recognised in interest income on finance lease 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 statements of financial position and shall be settled based on actual billings from the contractors and adjusted upon completion of the construction.

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. Otherwise, this may be expensed outright.

When capitalized, 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.

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 sale are capitalized as part of the cost of the "Real estate for sale", "Club shares", "Investment properties" and "Property and equipment" accounts 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 or sale are 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 (if any), 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, 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.

<u>Foreign Currency-denominated Transactions and Translations</u>

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 Tax. Current income tax assets and income tax liabilities for the current and prior periods 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 at the reporting date.

Deferred Tax. Deferred 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, and the carryforward benefit of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the temporary differences and carryforward benefit of unused MCIT can be utilized.

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 and, 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 it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences 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 to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Input VAT" under "Other Assets" account or "Output VAT payable" under "Accounts payable and other 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.

Business Segments
The Company's 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.

Segment Assets and Liabilities. 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.

Inter-segment Transactions. 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.

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, where appropriate, the risks specific to the liability. Where 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.

6. 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 certain reported amounts and disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

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:

Determination of Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Company, the Company has determined its functional currency to be Philippine peso. It is the currency of the primary economic environment in which the Company operates and the currency that mainly influences the revenue and expenses.

Recognition of Revenue on 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 ₱175.3 million and ₱115.4 million, respectively, in 2013, ₱323.6 million and ₱117.2 million, respectively, in 2012 and ₱520.2 million and ₱236.0 million, respectively, in 2011 (see Note 25).

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, interest rates and volatility 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.

The fair value of financial assets amounted to ₱14,760.1 million and ₱6,016.7 million as at December 31, 2013 and 2012, respectively. The fair value of financial liabilities amounted to ₱8,131.5 million and ₱8,187.0 million as at December 31, 2013 and 2012, respectively (see Note 37).

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 ₱65.2 million and ₱2.8 million as at December 31, 2013 and 2012, respectively (see Note 14).

Classification of Property. The Company determines whether a property is classified as investment property, inventory or property and equipment:

- Investment property comprises land, building and leasehold improvements which are not occupied substantially for use by, or in the operations of, the Company, nor are these for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

- Inventory comprises property that is held for sale in the ordinary course of business. Principally, these are condominium units and residential lots that the Company develops and intends to sell before or on completion of construction.

- Property and equipment includes land and leasehold improvements and condominium units and improvements, among others. These properties are used by the Company as model houses and are neither for sale nor for rentals. Other properties and equipment are intended for operations or administrative purposes.

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.

In 2013, the Parent Company, as a lessor, has accounted for the lease of its building structures under finance lease as at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of a fair value of the leased asset. The finance lease accounting resulted in the recognition of finance lease receivable amounting to ₱9,375.0 million and derecognition of its investment property amounting to ₱7,050.6 million (see Notes 15 and 31). The excess of present value of the minimum lease payment over the budgeted cost of the investment property amounting to ₱2,324.4 million was recognized as "Day 1 gain on finance lease" in the consolidated statement of comprehensive income.

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.

Rent income earned from lease of land amounted to ₱157.1 million, ₱18.4 million and ₱62.1 million in 2013, 2012 and 2011, respectively (see Note 31).

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 in 2013, 2012 and 2011 amounted to ₱11.6 million, ₱8.4 million and ₱4.3 million, respectively (see Notes 27 and 31).

Property Acquisitions. In 2011, the Company acquired a subsidiary, a grantee of a provisional license to establish and operate a casino, through a share swap agreement. The Company accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made to the extent to which significant processes is acquired.

Management considered the substance of the assets and activities of the acquired entity and assessed that the acquisition of the subsidiary does not represent a business, but rather an acquisition of an intangible asset, the subsidiary being the holder of the right to establish and operate a casino (see Note 17). 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.

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 discussed below.

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. A provision is also established as a certain percentage of receivables and advances not provided with specific allowance. This percentage is based on a collective assessment of historical collection, current economic trends, changes in customer payment terms and other factors that may affect the Company's ability to collect payments. 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.

Provision for doubtful accounts on receivables amounted to ₱0.4 million and ₱2.4 million in 2013 and 2012, respectively (see Notes 9 and 29). Receivables, net of allowance for doubtful accounts, amounted to ₱1,210.8 million and ₱1,353.0 million as at December 31, 2013 and 2012, respectively. Allowance for doubtful accounts amounted to ₱129.3 million and ₱37.1 million as at December 31, 2013 and 2012, respectively (see Note 9).

Provision for doubtful accounts on advances to associates and related parties amounted to nil and ₱12.7 million in 2013 and 2012, respectively (see Notes 12, 29 and 33). Advances to associates and other related parties, net of allowance for doubtful accounts, amounted to ₱3,718.1 million and ₱4,219.8 million as at December 31, 2013 and 2012, respectively. Allowance for impairment amounted to ₱153.9 million and ₱169.1 million as at December 31, 2013 and 2012, respectively (see Notes 12 and 33).

Determination of NRV of Real Estate for Sale, Club Shares and Supplies Inventory. 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 market prices or other causes. The carrying value is reviewed at least annually for any decline in value.

The carrying values of inventories carried at cost are as follows:

	2013	2012
	(In Thousands)	
Real estate for sale (see Note 10)	**₱3,592,276**	₱2,901,335
Club shares (see Note 11)	**2,810,221**	2,812,642
Supplies inventory*(see Note 18)	**3,778**	5,067

**Included under "Other 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 management 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 of AFS financial assets was recognized in 2013, 2012 and 2011. The carrying values of AFS financial assets amounted to ₱1,773.8 million and ₱28.6 million as at December 31, 2013 and 2012, respectively (see Note 14).

Determination of Commencement of Amortization of Intangible Asset. The Company's casino 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 will commence upon issuance by PAGCOR of the Notice to Commence Casino Operations which will replace the current provisional license.

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 2013 and 2012.

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 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, 2013 and 2012 are as follows:

	2013	2012
	(In Thousands)	
Investments in associates - net (see Note 12)	**₱992,454**	₱5,478,098
Investment properties (see Note 15)	**2,958,707**	5,584,824
Property and equipment (see Note 16)	**176,014**	160,283
Intangible asset (see Note 17)	**5,261,186**	5,261,186
Other assets* (see Note 18)	**1,092,360**	753,217

**Excluding supplies inventory.*

The aggregate accumulated impairment loss of investments in associates, property and equipment, and other assets amounted to ₱2,548.3 million and ₱2,546.2 million as at December 31, 2013 and 2012. Impairment was provided since management believes that future cash flows generated from the assets is expected to decline significantly.

Impairment losses recognized on these nonfinancial assets amounted to ₱4.4 million, ₱0.02 million and nil in 2013, 2012 and 2011, respectively (see Notes 12, 16, 17 and 18). Reversal of allowance for probable loss on other assets amounted to nil, ₱0.4 million and nil in 2013, 2012 and 2011, respectively. No impairment of intangible asset was recognized in 2013, 2012 and 2011.

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 ₱2,238.6 million and ₱140.4 million as at December 31, 2013 and 2012, respectively. Unrecognized deferred tax assets amounted to ₱764.5 million and ₱657.8 million as at December 31, 2013 and 2012, respectively (see Note 30).

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, mortality rates and future pension increases. 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 ₱12.5 million and ₱1.6 million as at December 31, 2013 and 2012, respectively (see Note 32).

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.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 32.

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 35).

No provision for probable losses has been recognized in 2013, 2012 and 2011.

7. 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 in the businesses of real estate development and gaming and gaming-related activities, among others.

Financial information about the Company's business segments are shown below:

	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**
Consolidated total assets	**34,162,893**	**1,780,684**	**4,097,138**	**(8,486,867)**	**31,553,848**
Consolidated total 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 (As restated)				
	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

(Forward)

	2012 (As restated)				
	Real Estate Development	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
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
Consolidated total assets	18,775,092	1,388,874	78,691	5,219,785	25,462,442
Consolidated total 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)

	2011 (As restated)				
	Real Estate Development	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Earnings Information					
Revenue	₱775,350	₱–	₱–	₱–	₱775,350
Costs and expenses	(538,523)	(9,153)	(201)	–	(547,877)
Equity in net earnings of associates	(10,391)	150.875	–	–	140.484
Interest expense	(158,160)	–	–	–	(158,160)
Interest income	28,419	79	–	–	28,498
Provision for income tax	23,730	–	–	–	23,730
Net profit (loss) for the year	60,372	141.781	(228)	–	201.925
Net profit (loss) attributable to equity holders of the parent	60,372	141.781	(228)	57	201.982
Other Information					
Investments in and advances to associates	9,001,613	146.923	760	(7,031,130)	2,118,166
Available-for-sale investments	17,954	1.106.869	33,446	(1,135,933)	22,336
Advances to related parties	457,764	–	–	–	457,764
Segment assets	6,536,147	68,770	53,061	13,390,852	20,048,830
Segment liabilities	112,315	700	2,148,402	(716,835)	1,544,582
Consolidated total assets	16,013,489	1,322,551	87,268	5,223,788	22,647,096
Consolidated total liabilities	3,582,781	811,739	2,169,159	–	6,563,679
Capital expenditures	(1,965,149)	–	–	–	(1,965,149)
Depreciation and amortization	(26,954)	(4)	(101)	–	(27,059)

The following illustrate the reconciliations of reportable segment revenues, net profit, assets and liabilities to the Company's corresponding amounts:

	2013	2012 (As restated)	2011 (As restated)
		(In Thousands)	
Revenues			
Total revenue for reportable segments	**₱2,697,750**	₱519,433	₱775,350
Elimination for intercompany revenue	**(73,503)**	(25,000)	–
Consolidated revenue	**₱2,624,247**	₱494,433	₱775,350
Net Profit for the Year			
Total profit for reportable segments	**₱3,673,829**	₱557,163	₱201,925
Elimination for intercompany profits	**(37,645)**	(1,500)	–
Consolidated net profit	**₱3,636,184**	₱555,663	₱201,925

(Forward)

	2013	2012 (As restated)	2011 (As restated)
		(In Thousands)	
Assets			
Total assets for reportable segments	**₱28,040,452**	₱22,318,295	₱20,048,830
Investments in and advances to associates	**978,016**	1,883,059	2,118,166
HTM investments	**750,000**	750,000	–
AFS financial assets	**1,773,793**	28,619	22,336
Advances to related parties	**11,587**	482,469	457,764
Consolidated assets	**₱31,553,848**	₱25,462,442	₱22,647,096
Liabilities			
Total liabilities for reportable segments	**₱2,481,862**	₱1,686,895	₱1,544,582
Loans payable	**200,466**	2,081,714	2,155,857
Long-term debt	**1,502,800**	4,719,165	2,559,584
Nontrade liability	**4,000,000**	–	–
Advances from related parties*	**77,539**	183,329	214,611
Deferred tax liabilities	**836,530**	167,944	89,045
Deferred gain on finance lease	**2,247,567**	–	–
Consolidated liabilities	**₱11,346,764**	₱8,839,047	₱6,563,679

**Presented under "Accounts payable and other 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.

Capital expenditures consist of additions of property and equipment and expenditures on investment properties.

8. Cash and Cash Equivalents

This account consists of:

	2013	2012
	(In Thousands)	
Cash on hand and in banks	**₱269,184**	₱188,687
Cash equivalents (see Note 33)	**901,212**	1,231,024
	₱1,170,396	₱1,419,711

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.

Short-term investments with original maturities of more than three months to one year are shown separately in the consolidated statements of financial position.

Interest income earned from cash in banks, cash equivalents and short-term investments amounted to ₱13.1 million, ₱86.3 million and ₱24.9 million in 2013, 2012 and 2011, respectively (see Note 28).

9. **Receivables** - Net

This account consists of:

	2013	2012
	(In Thousands)	
Trade (see Note 33)	**₱986,264**	₱1,158,862
Others	**353,872**	231,235
	1,340,136	1,390,097
Less allowance for doubtful accounts	**129,349**	37,125
	₱1,210,787	₱1,352,972

- Trade receivables are noninterest-bearing and are generally collected in installment within 3 to 5 years.

- Other receivables mainly pertain to advances to third parties, which are noninterest-bearing and generally have 90 days term.

As at December 31, 2013 and 2012, trade receivables with nominal amount of ₱1,036.6 million and ₱1,222.1 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 1.5% to 5.30% and 2.0% to 5.1% as at December 31, 2013 and 2012. The unamortized discount amounted to ₱50.4 million and ₱63.3 million as at December 31, 2013 and 2012, respectively. Amortization of discount on trade receivables, shown under "Other revenue" account in the consolidated statements of comprehensive income, amounted to ₱32.3 million, ₱29.4 million and ₱54.5 million in 2013, 2012 and 2011, respectively (see Note 24).

Movement of unamortized discount on trade receivables are as follows:

	2013	2012
	(In Thousands)	
Trade receivables at nominal amount	**₱1,036,640**	₱1,222,112
Less discount on trade receivables:		
Balance at beginning of year	**63,250**	47,858
Discount recognized during the year	**19,406**	44,784
Amortization during the year	**(32,280)**	(29,392)
Balance at end of year	**50,376**	63,250
	₱986,264	₱1,158,862

As at December 31, 2013, the gross undiscounted trade receivables amounting to ₱89.5 million have been assigned on a with recourse basis with BDO.

As at December 31, 2012, the gross undiscounted trade receivables amounting to ₱242.4 million, have been assigned on a without recourse basis to BDO Unibank, Inc. (BDO), an associate of SMIC, a stockholder. Under the terms of the assignment, the Company will deliver all Contracts to Sell and customers' copies of the Certificates of Title covered by these receivables to be held in custody by the counterparty until the receivables are paid and/or repurchased by the Company. The Company also agreed that the counterparty may at its sole option, assign, sell, transfer or otherwise dispose of, or encumber or create a lien or liability on the receivables in favor of any third party (see Note 33).

Terms and conditions relating to related party receivables are disclosed in Note 33.

Movement in the allowance for doubtful accounts is as follows:

	2013		
	Trade	Others	Total
		(In Thousands)	
Balance at beginning of year	**₱5,773**	**₱31,352**	**₱37,125**
Provision (see Note 29)	–	**352**	**352**
Allowance of a subsidiary accounted under pooling of interest	–	**86,977**	**86,977**
Transfers/others	–	**4,895**	**4,895**
Balance at end of year	**₱5,773**	**₱123,576**	**₱129,349**

	2012		
	Trade	Others	Total
		(In Thousands)	
Balance at beginning of year	₱5,085	₱29,687	₱34,772
Provision (see Note 29)	688	1,665	2,353
Balance at end of year	₱5,773	₱31,352	₱37,125

Allowance for doubtful accounts is determined using specific identification.

10. **Real Estate for Sale** - at cost

This account consists of:

	2013	2012
	(In Thousands)	
Land held for future development	**₱2,937,309**	₱2,401,338
Residential lots	**651,664**	483,107
Land under development	–	13,587
Condominium units	**3,303**	3,303
	₱3,592,276	₱2,901,335

Land held for future development consists of properties in Tagaytay City, Batangas and Cavite. It also includes certain parcels of land with a carrying value amounting to ₱915.5 million and ₱391.2 million as at December 31, 2013 and 2012, 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 "Accounts payable and other liabilities" account in the consolidated statements of financial position amounted to ₱136.3 million and ₱147.7 million as at December 31, 2013 and 2012, respectively (see Note 20).

Land held for future development and residential lots with carrying values of ₱16.0 million and ₱59.1 million, respectively, as at December 31, 2012 are mortgaged as security for the Company's loans payable (see Note 19).

Land under development pertains to land with on-going developments which are not yet opened up for sale due to pending License to Sell from Housing and Land Use Regulatory Board.

A summary of the movement in inventory is set out below:

	2013	2012
	(In Thousands)	
Balance at beginning of year	**₱2,901,335**	₱3,036,153
Land acquired during the year	**529,660**	137,914
Construction/development costs incurred	**132,446**	420,545
Disposals (recognized as cost of sales) (see Note 25)	**(91,654)**	(91,968)
Assets of subsidiary accounted under pooling of interest	**27,971**	–
Land costs transferred from land for future development to residential lots	**–**	(242,272)
Other adjustments/reclassifications	**92,518**	(359,037)
Balance at end of year	**₱3,592,276**	₱2,901,335

11. **Club Shares** - At Cost

This account consists of:

	2013	2012
	(In Thousands)	
Tagaytay Midlands Golf Club, Inc. (TMGCI) (see Note 33)	**₱1,262,340**	₱1,264,332
The Country Club at Tagaytay Highlands, Inc. (Country Club)	**803,100**	803,528
Tagaytay Highlands International Golf Club, Inc. (Tagaytay Highlands)	**652,700**	652,700
The Spa and Lodge at Tagaytay Highlands, Inc.	**92,081**	92,082
	₱2,810,221	₱2,812,642

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 to be issued by TMGCI to the Company as the development progresses will be in proportion to pre-agreed amount of development cost, inclusive of the initial capital contribution.

Club shares with total carrying value of ₱2,074.1 million as at December 31, 2012 are pledged as security for the Company's loans payable (see Note 19).

12. Investments in and Advances to Associates - net

This account consists of:

	2013	2012
	(In Thousands)	
Investments in associates - net of impairment in value of ₱141.9 million in 2013 and 2012	**₱992,454**	₱5,478,098
Advances to associates - net of allowance for doubtful accounts of ₱145.2 million in 2013 and ₱159.9 million in 2012 (see Notes 29 and 33)	**3,706,490**	3,737,345
Subscription payable	**(3,720,928)**	(7,332,384)
	₱978,016	₱1,883,059

Investments in the following significant associates are accounted for under the equity method:

		2013			2012		
		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
Woodlands Development Corporation (WDC)	Real estate	**47.00**	–	**47.00**	47.00	–	47.00
APC Group, Inc. (APC)	Mining	**46.59**	**2.21**	**48.80**	46.59	2.21	48.80
Pacific Online Systems Corporation (Pacific Online)	Gaming	**21.53**	**13.41**	**34.94**	21.53	13.41	34.94
Sinophil	Holding	–	–	–	45.33	0.16	45.49
Highlands Prime, Inc. (Highlands Prime)	Real Estate	–	–	–	35.82	0.19	36.01

**Non-operating*

The associates are all incorporated in the Philippines.

Movements of investments in associates consist of:

	2013	2012
	(In Thousands)	
Acquisition cost:		
Balance at beginning of year	**₱11,435,139**	₱12,341,598
Acquisition during the year	–	927
Liquidation of investment in Belle Bay City Corporation (Belle Bay City) during the year	–	(907,386)
Acquisition of a subsidiary accounted under pooling of interest	**(4,815,635)**	–
Disposal through share swap	**(827,383)**	–
Balance at end of year	**5,792,121**	11,435,139
Accumulated equity in net losses:		
Balance at beginning of year	**(5,182,793)**	(5,876,945)
Acquisition of a subsidiary accounted under pooling of interest	**553,365**	–
Equity in net earnings for the year	**119,940**	288,730
Share in declared dividends	**(129,896)**	(28,143)
Disposal through share swap	**(28,346)**	–
Liquidation of investment in Belle Bay City during the year	–	433,565
Balance at end of year	**(4,667,730)**	(5,182,793)

(Forward)

	2013	2012
	(In Thousands)	
Accumulated equity in dividends declared on Parent Company preferred shares held by associates	**₱–**	₱147,590
Share in cumulative translation adjustments of an associate	**–**	(26,393)
Share in unrealized gain (loss) on AFS financial assets of associates:		
Balance at beginning of year	**20,386**	(25,976)
Acquisition of a subsidiary accounted under pooling of interest	**(56)**	–
Disposal through share swap	**718**	–
Share during the year	**(8,560)**	46,362
Balance at end of year	**12,488**	20,386
Total	**1,136,879**	6,393,929
Less allowance for impairment in value	**141,924**	141,924
	994,955	6,252,005
Less equity in cost of Parent Company shares held by associates (see Note 23):		
Preferred	**–**	450,937
Common	**2,501**	280,759
	2,501	731,696
Less deferred income on intercompany sale of TMGCI shares by Parent Company to Sinophil (see Note 33)	**–**	42,211
	₱992,454	₱5,478,098

Investments in Associates

The details of carrying values of the investments accounted for under the equity method, advances and subscriptions payable are as follows:

	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)**

	2012		
	Carrying Values	Advances	Subscription Payable
		(In Thousands)	
Publicly listed:			
Sinophil	₱3,464,526	₱3,526	(₱3,611,456)
Highlands Prime	999,625	29,319	–
Pacific Online	805,434	–	–
APC	77,422	3,675,102	(3,675,000)
Closely held:			
Others	131,091	29,398	(45,928)
	₱5,478,098	₱3,737,345	(₱7,332,384)

The market values of investments in associates which are listed in the Philippine Stock Exchange are as follows:

	2013	2012
	(In Thousands)	
APC	**₱2,170,103**	₱2,969,235
Pacific Online	**1,255,015**	1,178,549
Highlands Prime	**–**	1,274,324
Sinophil	**–**	1,082,804

Condensed financial information of the following significant associates is shown below:

	2013	2012
	(In Thousands)	
APC:		
Current assets	**₱90,991**	₱177,261
Noncurrent assets	**277,079**	323,437
Current liabilities	**105,253**	148,216
Noncurrent liabilities	**79,850**	100,465
Revenue	**11,290**	368,951
Expenses	**77,651**	339,871
Net income (loss)	**(66,817)**	104,514
Pacific Online:		
Current assets	**1,417,650**	1,801,663
Noncurrent assets	**663,343**	605,766
Current liabilities	**551,739**	778,221
Noncurrent liabilities	**84,556**	53,229
Revenue	**1,677,908**	1,631,002
Expenses	**1,240,444**	1,007,123
Net income	**323,704**	406,781
Highlands Prime:		
Current assets	**–**	2,003,776
Noncurrent assets	**–**	2,034,621
Current liabilities	**–**	1,202,902
Noncurrent liabilities	**–**	80,893
Revenue	**–**	521,486
Expenses	**–**	283,558
Net income	**–**	32,178
Sinophil:		
Current assets	**–**	30,827
Noncurrent assets	**–**	1,995,832
Current liabilities	**–**	56,122
Noncurrent liabilities	**–**	105,650
Revenue	**–**	33,324
Expenses	**–**	1,592,002
Net income	**–**	1,567,953

Investments in Sinophil. Parallax and SLW (wholly owned subsidiaries) acquired additional interest in Sinophil on April 23, 2013 for a total consideration of ₱340.0 million. The acquisition of additional shares resulted to acquiring a controlling interest of the Company in Sinophil thus, accounting for its investments in the latter as investment in subsidiary. The pooling of interest method was applied since Parallax, SLW and Sinophil are entities under common control. The excess of cost over Sinophil'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." As a result of acquisition of additional shares, the effective ownership in Sinophil had increased to 58.1% as at December 31, 2013.

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. The said transaction resulted in a gain amounting to ₱772.2 million.

The investments in shares of stock of Highlands Prime with total carrying value of ₱650.9 million as at December 31, 2012, are pledged as security for the Company's loans payable (see Note 19).

Investment in Pacific Online. Pacific Online is engaged in lottery in Visayas and Mindanao. On June 18, 2012, the SEC approved Pacific Online's 50% stock dividend declaration with record date of July 4, 2012 and payment date of July 25, 2012.

The Company received 27,940,938 new shares and now owns a total of 66,947,356 Pacific Online shares. The Company's percentage of ownership in Pacific Online did not change after the receipt of stock dividends. Investments in shares of stock of Pacific Online with total carrying value of ₱420.4 million as at December 31, 2012, are pledged as security for the Company's loans payable (see Note 19).

As at March 8, 2014, the Parent Company's effective ownership in Pacific Online is increased to 38% after series of acquisition subsequent to December 31, 2013.

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. In relation to the dissolution, the Parent Company partially received land with carrying value of ₱252.1 million in 2005. In 2007, the Parent Company received additional land as part of its distributive share in Belle Bay City worth ₱12.9 million. The land was conveyed to Sinophil as payment of advances. On December 6, 2011, the Company has sold 1,640 square meter land with carrying value of ₱27.4 million to Light Rail Transit Authority (LRTA) for the construction of the guideway and concrete posts for the LRT 1 Cavite Extension Project which is being implemented by LRTA. Gain on sale amounting to ₱10.2 million is presented under "Other revenue" account in the consolidated statements of comprehensive income (see Note 24). 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 (see Note 15). As a result, the Company derecognized its investment in and advances to Belle Bay City with a total carrying value of ₱513.4 million, prior to the receipt of the liquidating dividends, and recognized a gain on liquidating dividend in the consolidated statements of comprehensive income amounting to ₱539.7 million in 2012.

Investments 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.

Allowance for Doubtful Accounts of Advances to Associates
Movement in allowance for doubtful accounts determined using specific identification method is as follow:

	2013	2012
	(In Thousands)	
Balance at beginning of year	**₱159,893**	₱150,582
Disposal during the year	**(14,660)**	–
Provision during the year (see Note 29)	–	10,633
Liquidation of investment in Belle Bay City during the year	–	(1,322)
Balance at end of year	**₱145,233**	₱159,893

13. 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.

Interest income earned on the HTM investments amounted to ₱38.7 million and ₱17.9 million in 2013 and 2012, respectively (see Note 28).

14. Available-for-sale Financial Assets

This account consists of:

	2013	2012
	(In Thousands)	
Shares of stock:		
Quoted	**₱1,619,455**	₱22,141
Unquoted	**65,158**	2,758
Club shares	**89,180**	3,720
	₱1,773,793	₱28,619

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:

	2013	2012
	(In Thousands)	
Cost		
Balance at beginning of year	**₱34,306**	₱34,306
Acquisition through share swap (see Notes 12 and 34)	**1,775,566**	–
Assets of subsidiary accounted under pooling of interest (see Note 12)	**1,764,957**	–
Balance at end of year	**3,574,829**	34,306
Unrealized gain (loss) on AFS financial assets:		
Balance at beginning of year	**14,868**	8,585
Increase (decrease) in fair value during the year - net of tax	**(205,653)**	6,283
Balance at end of year	**(190,785)**	14,868
Allowance for impairment in value		
Balance at beginning of year	**20,555**	20,555
Impairment of asset of a subsidiary accounted under pooling of interest	**1,589,696**	–
Balance at end of year	**1,610,251**	20,555
	₱1,773,793	₱28,619

AFS financial assets with total carrying value of ₱23.0 million as at December 31, 2012 are pledged as security for the Company's loans payable (see Note 19).

AFS financial assets also include 46,381,600 shares of Legend International Resort H.K. (LIR-HK) of Sinophil that has been fully impaired as of December 31, 2011 (see Note 34).

15. Investment Properties

This account consists of:

	2013	2012
	(In Thousands)	
Entertainment and Resort building - construction in progress (CIP) (see Note 21)	**₱1,817,424**	₱3,089,734
Hotel buildings - CIP	–	1,353,807
Land (see Note 12)	**1,141,283**	1,141,283
	₱2,958,707	₱5,584,824

Investment properties consist of entertainment and resort facilities still under construction (see Note 33) and land intended for lease.

In 2012, the Company received 42,166 square meters of land as liquidating dividends from Belle Bay City amounting to ₱1,054.2 million and paid transfer taxes and registration fees amounting to ₱10.1 million which were capitalized under "Land" account presented as part of "Investment Properties". The Company also paid ₱63.2 million of capital gains tax (CGT) under protest in relation to the receipt of land (see Note 30).

As at December 31, 2013 and 2012, borrowing costs amounting to ₱111.0 million and ₱201.9 million, respectively, were capitalized as part of investment properties (see Note 21). The annual rates used to determine the amount of borrowing costs for capitalization was 3.8% and 2.17% in 2013 and 2012, respectively. Movements in investment properties are as follows:

	2013	2012
	(In Thousands)	
Balance at beginning of year	**₱5,584,824**	₱2,434,194
Additions	**3,919,175**	1,894,580
Assets of a subsidiary accounted under pooling of interest (see Note 12)	**394,210**	–
Capitalized borrowing cost	**111,023**	201,900
Derecognized asset under finance lease (see Note 31)	**(7,050,525)**	–
Receipt of liquidating dividend (see Note 12)	–	1,054,150
Balance at end of year	**₱2,958,707**	₱5,584,824

Land, hotel and entertainment and resort buildings amounting to ₱2,642.3 million and ₱5,274.4 million as at December 31, 2013 and 2012, respectively, were mortgaged as security for the Company's long-term loans payable (see Note 21).

Construction cost of Entertainment and Resort building phase 1 amounting to ₱7.1 billion as of December 31, 2013 accounted for under finance lease was derecognized. Related estimated liability on construction costs representing estimated cost to complete building phase 1 amounted to ₱2.2 billion as of December 31, 2013. Resulting gain on finance lease amounted to ₱2.3 billion and separately shown in the 2013 consolidated statement of comprehensive income.

The carrying value of the investment properties approximates the aggregate fair value as of December 31, 2013 and 2012. The fair values of investment properties were determined by an independent, professionally qualified appraiser. The fair values represent the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's-length transaction at the date of valuation.

16. Property and Equipment

The rollforward analysis of this account follows:

	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 27)	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

	2012						
	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	₱237,807	₱170,262	₱286,644	₱78,220	₱73,525	₱73,237	₱919,695
Additions	20,845	2,445	–	–	3,532	363	27,185
Disposal	–	–	–	(3,346)	–	–	(3,346)
Reclassifications (see Note 18)	(5,189)	16,207	(26,549)	–	–	(68,518)	(84,049)
Balance at end of year	253,463	188,914	260,095	74,874	77,057	5,082	859,485
Accumulated Depreciation, Amortization and Impairment Loss							
Balance at beginning of year	235,536	147,522	238,604	62,911	59,523	–	744,096
Depreciation and amortization for the year (see Note 27)	3,143	4,541	13,981	4,969	4,292	–	30,926
Disposal	–	–	–	(3,346)	–	–	(3,346)
Reclassifications (see Note 18)	(3,416)	–	(69,058)	–	–	–	(72,474)
Balance at end of year	235,263	152,063	183,527	64,534	63,815	–	699,202
Net Book Value	₱18,200	₱36,851	₱76,568	₱10,340	₱13,242	₱5,082	₱160,283

Allowance for impairment loss on property and equipment amounted to ₱186.3 million as at December 31, 2013 and 2012.

The Company has disposed of certain property and equipment at a gain of ₱72.0 million and ₱0.6 million in 2013 and 2012, respectively (see Note 29).

In 2012, management intended to sell the Company's previous office space in Pasig City. Consequently, the carrying's value amounting to ₱11.6 million as at December 31, 2012 was reclassified to "Other assets held for sale" and presented as part of "Prepayments and other assets" under "Other assets" account in the 2012 consolidated statement of financial position (see Note 18).

The cost of fully depreciated property and equipment which are still being used amounted to ₱298.1 million and ₱312.4 million as at December 31, 2013 and 2012, respectively. The Company has no idle assets as at December 31, 2013 and 2012.

17. Intangible Asset

Intangible asset pertains to the "License" of PLAI with a carrying value of ₱5,261.2 million. PLAI is a grantee by the PAGCOR of a license to operate integrated resorts, including casinos. PLAI's License runs concurrent with PAGCOR's Congressional Franchise, set to expire in 2033 (see Note 34).

On April 14, 2011, Belle has issued 2.7 billion new common shares valued at ₱1.95 per share ("shares swap") in exchange for shareholdings in PLAI constituting 100% of the outstanding capital stock of PLAI. The transfer and valuation of Belle for the shares swap was approved by SEC and Bureau of Internal Revenue (BIR) on October 16, 2010 and October 4, 2011, respectively. The directly related attributable costs amounting to ₱20.5 million were charged against additional paid-in capital.

The License with total carrying value of ₱5,261.2 million as at December 31, 2013 and 2012 is pledged as security for the Company's long-term loans payable (see Note 21).

18. Other Assets

This account consists of:

	2013	2012
	(In Thousands)	
Input VAT - net of allowance for probable loss of ₱3.4 million in 2013 and ₱1.3 million in 2012	**₱439,569**	₱323,948
Advances to:		
Contractors - net of allowance for doubtful accounts of ₱14.9 million in 2013 and ₱12.7 million in 2012	**395,510**	72,476
Officers and employees - net of allowance for doubtful accounts of ₱3.5 million in 2013 and 2012	**5,106**	7,207
Prepayments and other assets - net of allowance for probable loss of ₱57.2 million in 2013 and ₱59.4 million in 2012	**151,094**	134,060
CWT - net of allowance for probable loss of ₱4.3 million in 2013 and 2012	**60,423**	177,520
Debt service reserve and accrual account (see Note 21)	**40,658**	38,006
Supplies inventory - net of allowance for decline in value of ₱18.7 million in 2013 and 2012	**3,778**	5,067
	₱1,096,138	₱758,284

Input VAT pertains to the VAT arising from ongoing construction of the investment properties and land under development.

CWT pertains to the withholding tax related to the goods sold and services rendered by the Company.

Prepayments and other assets pertain to various prepaid expenses such as insurance, commission, subscription and refundable deposits for various contracts. This also include the "Other assets held for sale" relating to sale of Company's office space in Pasig City (see Note 16).

Advances to contractors are noninterest-bearing and are expected to be applied against future billings.

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 21).

Project development costs consist of construction costs of the diaphragm wall, consultancy, architectural and design and other related expenses and fees incurred by Belle Bay Plaza in the initial phase of the development of a 6-hectare reclaimed property of Belle Bay City which is located in the seaward-side of Roxas Boulevard, City of Manila. Allowance for impairment was provided on the entire amount of the project amounting to ₱2,136.8 million as at December 31, 2013 and 2012.

19. Loans Payable

Loans payable represents peso-denominated loans obtained from local banks with interest ranging from 4.3% to 5.3% in 2013 and 3.1% to 4.6% in 2012. Loans payable have historically been renewed or rolled-over. The carrying values of nonfinancial assets pledged as collateral for loans outstanding as at December 31, 2012 are as follows:

Club shares (see Note 11)	₱2,074,134
Shares of stock of Highlands Prime (see Note 12)	650,925
Shares of stock of Pacific Online (see Note 12)	420,400
Real estate for sale (see Note 10)	75,076
AFS financial assets (see Note 14)	22,953
	₱3,243,488

Loans availed in 2013 amounting to ₱180.0 million and still outstanding as at December 31, 2013 are unsecured.

The interest expense on loans payable charged to operations amounted to ₱40.0 million and ₱75.2 million in 2013 and 2012, respectively (see Note 28).

Interest expense on loans payable amounting to nil and ₱26.5 million was capitalized as part of investment properties in 2013 and 2012, respectively (see Note 15).

20. Accounts Payable and Other Liabilities

This account consists of:

	2013	2012
	(In Thousands)	
Trade	**₱1,188,110**	₱1,033,253
Accrued expenses:		
Land transfer fees	**346,452**	298,396
Selling	**62,293**	57,667
Interest	**10,907**	42,809
Others	**134,500**	64,864
Advances from related parties (see Note 33)	**77,539**	183,329
Deferred income	**200,496**	–
Nontrade (see Note 10)	**425,996**	160,994
Customers' deposits	**23,559**	28,496
	₱2,469,852	₱1,869,808

- Trade payables are noninterest-bearing and are normally on a 90 days' term.
- Accrued expenses - others mainly pertain to accruals of taxes, rent, utilities and professional fees which are normally settled with an average term of 30 to 90 days.
- Deferred income amounting to ₱200.4 million as of December 31, 2103 representing unamortized discount on refundable deposits related to lease transactions (see Notes 31 and 34).

- Nontrade payables mainly include payable relating to the purchase of land (see Note 10). These lands were acquired from various land owners in Tagaytay City, Batangas and Cavite. These are noninterest-bearing and are due and demandable. This also includes output VAT payable amounting to nil and ₱10.3 million as at December 31, 2013 and 2012, respectively, Customers' deposits include collections received from buyers for projects with pending recognition of sale.

21. Long-term Debt

This account consists of:

	2013	2012
	(In Thousands)	
United States (US) Dollar floating rate notes (FRNs)	**₱977,210**	₱903,581
Loans payable	**535,800**	3,927,000
	1,513,010	4,830,581
Less debt issuance costs	**10,210**	111,416
	₱1,502,800	₱4,719,165

FRNs

US dollar denominated borrowings of 22.0 million is translated using the exchange rate of ₱44.40 to US$1.0 and ₱41.05 to US$1.0 at December 31, 2013 and 2012, respectively. This borrowing, amounting to US$22.0 million, is part of the 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 ₱34.0 million, ₱27.7 million and ₱26.1 million in 2013, 2012 and 2011, respectively (see Note 28).

Loans Payable
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, do not require to be bifurcated and accounted for separately in the host contract.

The Parent Company's loans payable is secured by all of the Company's 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 12, 15 and 17).

The carrying values of nonfinancial assets pledged as collateral for these loans are as follows:

	2013	2012
	(In Thousands)	
Entertainment and resort building, and hotel buildings classified under "Investment properties" (see Note 15)	**₱1,817,424**	₱4,443,541
Intangible asset (see Note 17)	**5,261,186**	5,261,186
Land classified under "Investment properties" (see Note 15)	**824,902**	830,812
	₱7,903,512	₱10,535,539

Interest expense on loans payable from OLSA amounting to nil and ₱156.7 million in 2013 and 2012, respectively, were capitalized as part of investment properties (see Note 15).

OLSA amounting to ₱3,391.2 million were preterminated in 2013. The Company used the proceeds from the release of Escrow fund to settle the said loans.

Debt Issuance Cost. As at December 31, 2013 and 2012, loan transaction costs consisting of documentary stamp tax, professional fees and underwriting fees amounting to ₱10.2 million and ₱111.4 million, respectively, were capitalized and presented as deduction from the related loan balance. Amortization of debt issuance cost in 2013 and 2012 amounting to ₱12.9 million and ₱18.7 million, respectively, was capitalized as part of "Investment properties" account in the consolidated statement of financial position (see Note 15).

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 19). As at December 31, 2013 and 2012, the Parent Company has complied with these covenants.

The repayments schedule of loans based on existing terms are as follows:

2014	₱57,000
2015	79,800
2016	102,600
2017	176,700
2018 onwards	119,700
	₱535,800

22. Nontrade Liability

In 2013, AB Leisure Global Inc. (ABLGI) agreed to advance ₱4,000.0 million (the "ABLGI Advance") to the Company as funding for the construction of the casino building. Terms and repayment periods of the ABLGI advances will be determined upon the signing of the implementing agreement. As of March 8, 2014, the Company and ABLGI have not yet finalized its implementing agreement.

23. Equity

Capital Stock
The composition of the Company's shares of capital stock is as follows:

	2013		2012	
	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**	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

Movements in issued common stock are as follows:

	2013	2012
	(In Thousands)	
Balance at beginning of year	**₱10,559,383**	₱9,170,770
Issuance during the year (see Note 36)	**–**	1,388,613
	₱10,559,383	₱10,559,383

On September 29, 2011, the Parent Company's stock rights offering are completed with a subscription of 1.508 billion common shares. Stockholders were entitled to 1 right for every 6 shares held as of September 2, 2011 at an exchange offering price of ₱3.0 per share. The net proceeds of approximately ₱4.5 billion from this offer will be used by the Parent Company to partially finance the construction of its entertainment and resort facilities (see Note 34). As at December 31, 2011, 119,870 common shares of the total subscription have been fully paid and issued. As at December 31, 2011, subscription receivables expected to be collected within the mandatory period of January 30, 2012 to February 3, 2012 amounted to ₱2,082.9 million and is separately shown in the 2011 consolidated statement of financial position. The directly related attributable costs amounting to ₱53.9 million were charged against additional paid-in capital.

On February 2, 2012, the entire subscription receivable has been fully collected.

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 and 2012, the preferred shares are held by Sinophil. In 2009, Sinophil agreed to the renunciation of its rights to all past, present and future dividends. Sinophil also agreed to the revocation of the coupon rate originally provided for the preferred shares.

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 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 stocks 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 2,013 and 2,157 as at December 31, 2013 and 2012, respectively.

<u>Equity Share in Cost of Parent Company Common Shares Held by Associates</u>
There was no transaction that affected this account in 2012.

<u>Cost of Parent Company Shares Held by Subsidiaries</u>
Details of this account as at December 31, 2013 and 2012 are shown below:

	2013	2012
	(In Thousands)	
Cost of Parent Company Common and Preferred Held by Subsidiaries	**₱2,152,792**	₱492,873
Loss on Disposal of Parent Company Common Shares Held by Subsidiaries	**104,839**	69,502
	₱2,257,631	₱562,375

Parallax, SLW, Sinophil and other subsidiaries collectively holds 336,489,747 and 214,963,027 common shares of the Parent Company as at December 31, 2013 and 2012, respectively. These are presented as "Cost of Parent Company common and preferred shares held by subsidiaries" in the consolidated statements of financial position.

Retained Earnings
The Company's retained earnings available for dividend declaration is adjusted to exclude accumulated equity in net losses of associates amounting to ₱4,667.7 million and ₱5,182.8 million as at December 31, 2013 and 2012, respectively (see Note 12), and adjustments related to finance lease (see Note 15). For purposes of dividend declaration, income arising from lease of casino buildings is accounted for under operating lease similar to treatment for income tax purposes (see Notes 30 and 31).

24. Other Revenue

This account consists of:

	2013	2012	2011
		(In Thousands)	
Amortization of discount on trade receivables (see Note 9)	**₱32,280**	₱29,392	₱54,465
Income from forfeitures	**10,800**	13,807	15,707
Penalty	**8,720**	4,070	5,056
Income from playing rights	**3,304**	4,014	–
Commission income	**1,489**	859	887
Gain on sale of investment (see Note 12)	**–**	–	10,234
Others	**3,027**	5,029	9,225
	₱59,620	₱57,171	₱95,574

Others pertain to revenues from revision works, sale of scrap supplies and various administrative fees during the year.

25. Cost of Real Estate and Club Shares Sold

This account consists of:

	2013	2012	2011
		(In Thousands)	
Materials and labor	**₱58,301**	₱58,501	₱119,125
Cost of club shares sold	**23,735**	25,184	48,709
Land	**21,701**	21,775	44,341
Overhead and others	**11,652**	11,692	23,808
	₱115,389	₱117,152	₱235,983

26. Cost of Services for Property Management

This account consists of:

	2013	2012	2011
		(In Thousands)	
Power and maintenance	**₱44,255**	₱47,354	₱52,736
Water services	**16,014**	25,589	26,093
	₱60,269	₱72,943	₱78,829

27. General and Administrative Expenses

This account consists of:

	2013	2012	2011
		(In Thousands)	
ABLGI payments (see Note 34)	**₱283,501**	₱–	₱–
Personnel costs (see Notes 32 and 33)	**83,992**	79,584	72,984
Marketing and advertising (see Note 33)	**60,240**	67,626	51,169
Rentals and utilities (see Notes 31 and 33)	**41,245**	14,054	8,727
Depreciation and amortization (see Note 16)	**34,939**	30,926	27,059
Taxes and licenses	**33,906**	18,536	20,888
Professional fees	**22,546**	15,811	10,098
Repairs and maintenance	**20,280**	5,990	6,435
Security and janitorial	**14,379**	9,692	9,264
Transportation and travel	**4,864**	4,662	4,474
Representation and entertainment	**4,636**	8,504	3,992
Registration fees	**2,784**	4,607	7,267
Communication	**1,380**	2,562	2,686
Insurance	**1,070**	822	1,067
Others	**32,880**	12,074	6,955
	₱642,642	₱275,450	₱233,065

Others pertain to office supplies, insurance, seminar fees and association dues incurred during the year.

Personnel Costs

	2013	2012	2011
		(In Thousands)	
Salaries and wages	**₱70,833**	₱61,039	₱52,140
Pension costs (see Note 32)	**5,318**	4,992	3,371
Employee benefits and others	**7,841**	13,553	17,473
	₱83,992	₱79,584	₱72,984

28. Interest Income and Interest Expense

The sources of the Company's interest income follows:

	2013	2012	2011
		(In Thousands)	
Cash in banks (see Note 8)	**₱2,024**	₱719	₱1,166
Cash equivalents (see Note 8):			
With related banks (see Note 33)	**10,569**	81,904	23,395
With other banks	**514**	2,377	281
HTM investments (see Notes 13 and 33)	**38,725**	17,906	–
Escrow fund (see Notes 33 and 34)	**4,112**	12,083	–
Short-term investments (see Note 8)	**–**	1,297	17
Receivables (see Note 9)	**–**	–	3,639
Others	**168**	167	–
	₱56,112	₱116,453	₱28,498

The sources of the Company's interest expense follows:

	2013	2012	2011
		(In Thousands)	
Loans payable (see Notes 19 and 33)	**₱40,036**	₱75,171	₱83,313
Long-term debt (see Note 21)	**33,955**	27,654	26,114
Assignment of receivables (see Note 9)	**25,653**	24,097	48,547
Others	**4,208**	1,229	186
	₱103,852	₱128,151	₱158,160

29. Other Charges- net

This account consists of:

	2013	2012	2011
		(In Thousands)	
Provision for (reversal of) allowance:			
Probable loss on other assets - net	**₱4,418**	₱61,692	₱–
Doubtful accounts on receivables (see Note 9)	**352**	2,353	–
Doubtful accounts on advances to associates (see Note 12)	**–**	10,633	–

(Forward)

	2013	2012	2011
		(In Thousands)	
Impairment loss on advances to related parties (see Note 33)	**₱–**	₱2,121	₱–
Bank service charges	**3,799**	11,034	12,880
Gain on sale of property and equipment (see Note 16)	**(72,026)**	(612)	–
Others - net	**(17,595)**	7,843	30
	(₱81,052)	₱95,064	₱12,910

30. Income Taxes

The provision for current income tax consists of the following:

	2013	2012	2011
		(In Thousands)	
Regular corporate income tax	**₱303,870**	₱916	₱–
Capital gains tax (CGT) and final tax on interest income	**1,707**	64,965	5,320
MCIT	**–**	13,273	10,652
	₱305,577	₱79,154	₱15,972

As at December 31, 2012, the carryforward benefit of MCIT amounting to ₱17.8 million was claimed as tax credit against regular income tax in 2013. As at December 31, 2011, the carryforward benefit of NOLCO amounting to ₱20.3 million is claimed 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.

The components of the Company's net deferred tax liabilities are as follows:

	2013	2012
	(In Thousands)	
Deferred tax assets:		
Construction cost	**₱1,330,354**	₱–
Estimated liability on construction costs	**674,270**	–
Unrealized foreign exchange loss	**157,719**	–
Deferred lease income	**32,168**	3,878
Accrued selling expenses	**16,104**	14,715
Discount on trade receivables	**15,113**	18,975
Unrealized profit on sale of club shares to associates	**9,327**	4,221

(Forward)

	2013	2012
	(In Thousands)	
Unamortized past service costs	**₱1,720**	₱635
Accretion of refundable deposits	**1,107**	1,157
Accrued rent	**746**	847
Allowances for:		
Impairment in value of property and equipment	**–**	55,891
Doubtful accounts	**–**	12,729
Probable losses	**–**	9,543
MCIT	**–**	17,821
	2,238,628	140,412
Deferred tax liabilities:		
Finance lease receivable	**(2,925,664)**	–
Capitalized interest expense	**(33,307)**	(90,292)
Unaccreted discount on refundable deposits	**(32,726)**	(4,027)
Accumulated depreciation	**(29,841)**	–
Accrued rent	**(22,338)**	–
Capitalized rent expense	**(18,214)**	(10,019)
Unrealized gain on sale of real estate	**(6,274)**	(797)
Pension asset	**(3,754)**	(492)
Unrealized gain on AFS financial asset	**(1,222)**	(1,499)
Deferred lease expense	**(1,021)**	(1,099)
Deferred income on real estate sales	**(797)**	(9,770)
Unrealized foreign exchange gain - net	**–**	(190,361)
	(3,075,158)	(308,356)
	(₱836,530)	(₱167,944)

The components of the Company's temporary differences as at December 31, 2013 and 2012 for which deferred tax assets were not recognized follows:

	2013	2012
	(In Thousands)	
Allowances for:		
Impairment of project development costs	**₱2,136,820**	₱2,136,820
Probable losses	**208,718**	47,948
Impairment in value of property and equipment	**186,303**	–
Doubtful accounts	**16,487**	8,036
	₱2,548,328	₱2,192,804

The deferred tax assets of the above temporary differences amounting to ₱764.5 million and ₱657.8 million as at December 31, 2013 and 2012, respectively, are not recognized in the books 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 31).

The reconciliation between the provision for income tax computed at statutory tax rate and the provision for income tax shown in the consolidated statements of comprehensive income is as follows:

	2013	2012 (As restated)	2011 (As restated)
		(In Thousands)	
Income tax at statutory income tax rate of 30%	**₱1,555,008**	₱214,053	₱67,069
Nontaxable income	**(287,350)**	(135,129)	(42,296)
Change in unrecognized deferred tax assets	**69,003**	1,537	–
Income subjected to final tax	**(16,781)**	(34,886)	(18,538)
Nondeductible expenses and others	**11,942**	47,606	12,175
Income subjected to capital gains tax	**1,707**	1,716	5,320
Capital gains tax paid under protest	**–**	63,249	–
	₱1,333,529	₱158,146	₱23,730

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 8, 2014, 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 Company received its Certificate of Registration from PEZA as the developer of the Belle Grande Manila Bay Project. The Company shall not be entitled to PEZA incentives.

31. 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 (see Note 34).

Rent income recognized by the Company from these lease agreements with ABLGI amounted to ₱18.4 million and ₱62.1 million in 2012 and 2011, respectively.

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 integrated casino development 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.

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.

Finance 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. Day 1 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.

As at December 31, 2013, the nominal amount of minimum lease payments and the carrying value of finance lease receivable are as follows:

Amounts receivable under finance lease	
Within one year	₱1,008,410
In more than one year and not more than five years	4,900,436
In more than five years	31,693,570
	37,602,416
Unearned finance income	(27,850,204)
Net investment (present value of the minimum lease payments)	9,752,212
Current portion of receivables under finance lease	(341,108)
Non-current portion of receivables under finance lease	₱9,411,104

Operating Lease
The Company recognized rent income on the lease of land by MCE Leisure amounting to ₱157.1 million in 2013.

As of December 31, 2013, the minimum lease payments of the Company on the lease on the land are as follows:

Amounts receivable under operating lease	
Within one year	₱97,874
In more than one year and not more than five years	475,644
In more than five years	3,076,236
	3,649,754
Current portion of receivables under operating lease	97,874
Non-current portion of receivables under operating lease	₱3,551,880

Company as a Lessee
Operating Lease
The 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 Company also paid ₱4.4 million refundable deposit which formed part of "Prepayments and other assets" account under "Other assets" in the consolidated statements of financial position (see Note 18). 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, 2013 and 2012, the operating lease cost amounting to ₱27.3 million and ₱22.3 million were capitalized to leasehold improvements as the Company has started construction of the integrated resort (see Notes 16 and 34).

The Company entered into an operating lease agreement with SM Land, Inc., a related party, covering its new office space (see Note 33). 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 and ₱6.1 million in 2013 and 2012, respectively (see Note 27). The Company also paid ₱2.4 million refundable deposit which is included as part of "Other assets" account in the consolidated statements of financial position (see Note 18).

Consequently, in July 2012, the Company ended its lease agreement on its old office space in Pasig City. Total rent expense charged to operations relating to this transaction amounted to ₱0.7 million and ₱1.2 million in 2012 and 2011 respectively (see Note 27).

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 ₱1.1 million, ₱1.6 million and ₱3.1 million in 2013, 2012, and 2011, respectively (see Note 27).

The future minimum rental payments by the Company under the operating lease agreements are as follows:

	2013	2012
	(In Thousands)	
Within one year	**₱39,404**	₱38,024
After one year but not more than five years	**164,593**	170,555
After more than five years	**936,007**	1,668,745
	₱1,140,004	₱1,877,324

32. Pension Costs

The Company has a defined benefit pension plan 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, 2013.

The following tables summarize the components of pension costs recognized in the consolidated statements of comprehensive income and the pension liability recognized in the consolidated statements of financial position.

Pension Costs (recognized in "General and Administrative Expenses")

	2013	2012	2011
		(In Thousands)	
Current service cost	**₱5,578**	₱5,239	₱4,832
Interest cost on defined benefit obligation	**3,900**	3,459	3,266
Interest income on plan assets	**(4,166)**	(3,719)	(4,727)
Interest on the effect of asset ceiling	**6**	13	–
	₱5,318	₱4,992	₱3,371

Pension Expense (Income) (recognized in "Other Comprehensive Income")

	2013	2012	2011
		(In Thousands)	
Actuarial (gain) loss on defined benefit obligation	**(₱4,455)**	₱3,427	(₱1,320)
Re-measurement (gain) loss on plan assets	**(2,439)**	2,001	(320)
Re-measurement (gain) loss on changes in the effect of the asset ceiling	**1,014**	(124)	214
	(₱5,880)	₱5,304	(₱1,426)

Pension Asset

	2013	2012	2011
		(In Thousands)	
Defined benefit obligation	**₱62,270**	₱62,493	₱57,658
Fair value of plan assets	**75,908**	64,239	61,440
Funded status - surplus	**(13,638)**	(1,746)	(3,782)
Effect of asset ceiling	**1,123**	103	214
	(₱12,515)	(₱1,643)	(₱3,568)

Changes in the present value of the defined benefit obligation are as follows:

	2013	2012	2011
		(In Thousands)	
Balance at the beginning of the year	**₱62,493**	₱57,658	₱52,684
Interest cost	**3,900**	3,459	3,266
Current service cost	**5,578**	5,239	4,832
Benefits paid from plan assets	**(5,246)**	(7,290)	(1,804)
Actuarial loss (gain) due to:			
Experience adjustments	**(6,561)**	10,890	(1,320)
Actuarial loss(gain) on changes in financial assumptions	**₱2,106**	(₱1,559)	₱–
Actuarial loss (gain) on changes in demographic assumptions	**–**	(5,904)	–
	₱62,270	₱62,493	₱57,658

Changes in the FVPA are as follows:

	2013	2012	2011
		(In Thousands)	
Balance at the beginning of the year	**₱64,239**	₱61,440	₱49,825
Interest income	**4,166**	3,719	4,727
Contributions	**10,310**	8,371	8,372
Benefits paid	**(5,246)**	(7,290)	(1,804)
Re-measurement gain (loss)	**2,439**	(2,001)	320
	₱75,908	₱64,239	₱61,440

Movements in the pension liability (asset) are as follows:

	2013	2012	2011
		(In Thousands)	
Balance at the beginning of the year	**(₱1,643)**	(₱3,568)	₱2,859
Retirement expense	**5,318**	4,992	3,371
Total amount recognized in other comprehensive income	**(5,880)**	5,304	(1,426)
Contributions	**(10,310)**	(8,371)	(8,372)
	(₱12,515)	₱1,643	(₱3,568)

Defined benefit expense (income) recognized in "Other Comprehensive Income" are as follows:

	2013	2012	2011
	(In Thousands)		
Accumulated other comprehensive income, beginning of the year	**(₱6,832)**	(₱12,136)	(₱10,710)
Pension expense (income)	**(5,880)**	5,304	(1,426)
Accumulated other comprehensive income, end of the year	**(₱12,712)**	(₱6,832)	(₱12,136)

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

There are no expected contributions to the defined benefit pension plan in 2014.

The unfunded obligation and experience adjustment for the current period and for the two preceding periods follows:

	2013	2012	2011
	(In Thousands)		
Defined benefit obligation	**₱62,270**	₱62,493	₱57,658
Fair value of plan assets	**75,908**	64,239	61,440
Funded status - Surplus	**(13,638)**	(1,745)	(3,782)
Experience adjustments	**(6,561)**	10,890	(1,321)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2013	2012
Investments in fixed income securities	**66%**	61%
Investments in unit investment trust funds	**15%**	36%
Others	**19%**	3%
	100%	100%

The 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, 2013. 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.

Contributions and withdrawals in the fund in 2013 amounted to ₱10.3 million and ₱5.2 million, respectively, and were approved by the Company's Chief Financial Officer and President.

The fund has no investments in debt and equity securities of the Company.

The principal assumptions used in determining pension benefit obligations for the Company's plan are shown below:

	2013	2012	2011
Discount rates	**4.89%**	6.24%	6.00%
Future salary increases	**6.00%**	6.00%	7.00%

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:

	Increase (decrease) in Basis Points	Amount
Discount rate	100	(₱1,717)
	(100)	101,925
Salary increase rate	100	1,259
	(100)	(1,180)

Shown below are the maturity analyses of the undiscounted benefit payments:

Year	**2013**	2012
	(In Thousands)	
2013	**₱–**	₱6,537
2014	**281**	–
2015	**2,108**	2,118
2016	**16,012**	16,291
2017	**17,865**	16,251
2018	**5,258**	4,868
2019-2023	**23,208**	44,498

The tax exempt status of the plan was approved by the BIR on September 29, 1998.

33. 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	2013	₱15	₱3,754,568	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to ₱79,452 in 2013 and 2012
			2012	15	3,754,554		
Belle Jai Alai	Associate	Advances to associate	2013	–	29,398	Non-interest bearing, due and demandable	Unsecured, no allowance
			2012	–	29,398		
Highlands Prime	Associate	Advances to associate	2013	–	1,936	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to nil in 2013 and ₱14,515 in 2012
			2012	(19,065)	43,834		
		Commission income (see Note 24)	2013	–	–		Not applicable
			2012	302	–		Not applicable
Belle Bay City	Associate	Advances to associate	2013	–	–	Non-interest bearing, due and demandable	Liquidated
			2012	(37,689)	–		Liquidated
WDC	Associate	Advances to associate	2013		54,334	Non-interest bearing, due and demandable	Unsecured, fully provided in 2013 and 2012
			2012	–	54,334		
Others	Associate	Advances to associates	2013	–	11,486	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to ₱11,447 in 2013 and ₱11,592 in 2012
			2012	(2,845)	15,118		
Tagaytay Highlands	With common set of directors	Advances to other related parties	2013	(363,696)	2,087	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to ₱624 in 2013 and ₱1,087 in 2012
			2012	5,566	365,782		
Country Club	With common set of directors	Advances to other related parties	2013	(91,568)	2,372	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to nil in 2013 and ₱1,737 in 2012.
			2012	4,134	93,940		
Others	With common set of directors	Advances to other related parties	2013	17,311	15,854	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to ₱6,374 in 2013 and 2012
			2012	17,126	31,945		
TMGCI	With common set of directors	Advances from other related parties	2013	(72,608)	2,259	Non-interest bearing, due and demandable	Unsecured
			2012	3,901	74,867		
Belle Jai-Alai	Associate	Advances from associate	2013	–	60,753	Non-interest bearing, due and demandable	Unsecured
			2012	–	60,753		
Sinophil Leisure and Resorts Corp.	Subsidiary of Sinophil	Advances from other related parties	2013	–	–	Non-interest bearing, due and demandable	Unsecured
			2012	(38)	29,034		
Tagaytay Highlands	With common set of directors	Advances from other related parties	2013	–	10,819	Non-interest bearing, due and demandable	Unsecured
			2012	–	10,819		
Sinophil	Associate	Advances from associate	2013	(553)	–	Non-interest bearing, due and demandable	Unsecured
			2012	(19,602)	3,426		
Pacific Online	Associate	Advances from associate	2013	–	–	Non-interest bearing, due and demandable	Unsecured
			2012	(10,016)	–		
Others	Associates	Advances from other related parties	2013	–	3,707	Non-interest bearing, due and demandable	Unsecured
			2012	5,527	4,430		
BDO	With common stockholders	Cash equivalents	2013	–	–	Interest bearing	Unsecured, not impaired
			2012	(1,111,120)	1,210,187		
		Interest income on cash equivalents (see Notes 8 and 28)	2013	10,569	–	3.14% to 4.56%	Unsecured, not impaired
			2012	81,904	–	3.87% to 4.56%	
			2011	22,875	–	1.00% to 3.94%	

(Forward)

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance	Terms	Condition
		Receivables purchase agreement (see Note 9)	**2013** 2012	**₱242,429** (339,454)	**₱–** 242,429	Interest bearing	Unsecured
		Escrow fund (see Note 34)	**2013** 2012	**(2,064,450)** 2,064,450	**–** 2,064,450	Interest bearing	Unsecured, not impaired
		Interest income on escrow fund (see Notes 27 and 33)	**2013** 2012 2011	**4,112** 12,083 –	**–** – –	0.62%-0.75%	Unsecured, not impaired
		Short-term loans (see Note 19)	**2013** 2012	**(1,668,000)** (90,000)	**–** 1,668,000	Interest bearing	Secured
		Interest expense on short-term loans, gross of capitalized interest (see Notes 19 and 28)	**2013** 2012 2011	**40,036** 78,072 100,060	**–** – –	4.25% to 5.12% 4.50% to 7.00% 7.00% to 7.50%	Secured
		Long-term debt (see Note 22)	**2013** 2012	**(3,391,200)** 2,254,000	**53,580** 3,927,000	Interest bearing	Secured
		Interest expense on long-term debt (see Notes 15 and 28)	**2013** 2012 2011	**25,653** 156,667 48,962	**–** – –	3.75%-6.58% 4.25%-6.98% –	Secured
SM Land, Inc.	With common stockholders	Operating lease (see Note 26)	**2013** 2012	**10,535** 6,063	**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 26)	**2013** 2012	**20,073** 11,594	**–** –	5 years	Not applicable
SMIC	Stockholder	HTM investments (see Note 13)	**2013** 2012	**–** 750,000	**750,000** 750,000	Interest bearing, maturing in 7 and 10 years	Not applicable
		Interest income on HTM investments (see Notes 13 and 28)	**2013** 2012	**38,725** 17,906	**–** –	6.00%-6.94%	Not applicable
Belleshares Holdings, Inc.	Stockholders	Receivables	**2013** 2012	**31,891** –	**31,891** –	Interest-free	Unsecured, interest-free
Directors and officers	Key management personnel	Receivables (see Note 9)	**2013** 2012	**(10,845)** (2,337)	**1,138** 11,983	Interest-free	Unsecured, interest-free, partially provided amounting to ₱688
		Short-term employee benefits	**2013** 2012	**37,221** 31,422	**–** –	Not applicable	Not applicable
		Post-employment benefits	**2013** 2012	**3,964** 3,964	**–** –	Not applicable	Not applicable

Allowance provided on advances to associates amounted to ₱145.2 million and ₱159.9 million as at December 31, 2013 and 2012, respectively (see Note 12).

Allowance for doubtful accounts of advances to related parties amounted to ₱8.7 million and ₱9.2 million as at December 31, 2013 and 2012, respectively. Provision for doubtful accounts on advances to related parties amounted to nil, ₱2.1 million and nil in 2013, 2012 and 2011, respectively (see Note 29).

Transactions with other related parties are as follows:

- On May 12, 2012, the Company entered into an operating lease agreement with SM Land, Inc. covering its new office space (see Note 31).

- 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 integrated resort project. Project management fee charged by PLAI to the Parent Company amounted to ₱8.0 million and ₱25.0 million in 2013 and 2012, respectively, and was eliminated in the consolidated statements 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 in 2013.

34. 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 ₱12.1 million in 2012 (see Note 27). 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.

AB Leisure Global Inc. ("ABLGI") Agreements
On January 14, 2011, the Parent Company and PLAI entered into several agreements ("ABLGI Agreements") with ABLGI and Leisure and Resorts World Corporation (LRWC) for the leasing, fit out and operation of the Project to be located at Aseana Business Park, Paranaque City.

On March 13, 2013, Belle, PLAI, ABLGI and LRWC entered into an Agreement effectively terminating its ABLGI Agreements. In consideration for the waiver of ABLGI's rights under the ABGLI Agreements, Belle and PLAI have agreed to pay settlement amounts ("ABLGI Payments"), of ₱283.5 million as of December 31, 2013.

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 an integrated resort complex. 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.

Operating Agreement with Melco
On March 13, 2013, the Company, together with PLAI, entered into an Operating Agreement with MCE Holdings No. 2 (Philippines) Corporation ("MCE 2 Holdings"), MCE Holdings (Philippines) Corporation and MCE Leisure. Under the terms of the Operating Agreement, MCE Leisure 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.

Share Swap Agreement
In 1997, Sinophil 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 Sinophil 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 Sinophil 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 Sinophil shares of stock surrendered by Metroplex and the cancellation and delisting of such shares from the Philippine Stock Exchange (PSE).

b. Sinophil shall surrender the LIR-HK shares back to Metroplex.

The investments in LIR-HK of Sinophil were recorded under "Available-for-sale financial assets" and are fully impaired as at December 31, 2011 (see Note 14).

As at March 8, 2014, LIR-HK still has 1,000,000,000 undelivered Sinophil shares after the said shares have been foreclosed and successfully auctioned by the creditor of Metroplex.

35. 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. Management and its legal counsel believe that the Company has substantial legal and factual bases for its position and are of the opinion that losses arising from the aforementioned cases, if any, will not have a material impact on the Company's consolidated financial statements.

36. Basic/Diluted EPS

	2013	2012 (As restated)	2011 (As restated)
		(In Thousands, Except Number of	*Shares and EPS)*
Earnings attributable to Equity holders of the Parent (a)	**₱3,639,853**	₱555,720	₱201,982
Weighted average number of issued common shares - basic, at beginning of year	**10,351,086,586**	8,533,117,798	6,178,426,290
Issued during the year (see Notes 17 and 23)	**–**	1,817,968,788	2,354,691,508
Weighted average number of issued common shares - basic, at end of year (b)	**10,351,086,586**	10,351,086,586	8,533,117,798
Basic/diluted EPS (a/b)	**₱0.352**	₱0.054	₱0.024

There are no common stock equivalents that would have a dilutive effect on the basic EPS.

37. 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, short-term investments, HTM investments, AFS financial assets, escrow fund, loans payables, long-term debt 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 accounts payable 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, 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 is 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 Company's loans payable and long-term debt are subject to interest rate risk.

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 2013 and 2012. There is no other impact on the Company's equity other than those already affecting the profit or loss in the consolidated statements of comprehensive income.

	2013		2012	
	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*	**+22**	**-22**	+44	-44
Effect on income before income tax	**(₱2,093)**	**₱2,093**	(₱4,076)	₱4,076

**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, 2013 and 2012, the Company's foreign currency-denominated FRNs amounted to ₱977.2 million and ₱903.6 million (US$22.0 million), respectively. As at December 31, 2012, the Company's foreign-denominated escrow fund amounted to ₱2,064.5 (US$50.3 million).

Foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate are as follows:

	2013	2012
	(In Thousands)	
Escrow fund	**$–**	$50,291
FRNs	**(22,012)**	(22,012)
Foreign currency-denominated financial assets (liabilities)	**($22,012)**	$28,279

In translating the foreign currency-denominated escrow fund and long-term debt into peso amounts, the exchange rate used was ₱44.40 to US$1.0 and ₱41.05 to US$1.0, the Philippine peso to US dollar exchange rates as at December 31, 2013 and 2012, respectively.

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, 2013 and 2012. There is no other impact on the Company's equity other than those already affecting the profit or loss in the consolidated statements of comprehensive income.

	2013		2012	
	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*	**₱3.13**	**(₱3.13)**	₱0.23	(₱0.23)
Effect on income before income tax	**(68,787)**	**68,787**	6,504	(6,504)

**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.

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, advances to associates and other related parties, escrow fund and AFS financial assets, 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.

	2013						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days		
				(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
Others	230,296	–	–	–	–	123,576	353,872
Finance lease receivable	9,752,212	–	–	–	–	–	9,752,212
Advances to associates*** - net of subscription payable	176,723	–	–	–	–	145,233	321,956
Advances to related parties	11,587	–	–	–	–	8,656	20,243
HTM investments	750,000	–	–	–	–	–	750,000
AFS financial assets	1,773,793	–	–	–	–	1,598,616	3,372,409
Escrow fund	–	–	–	–	–	–	–
	₱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 statements of financial position.*

	2012						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days		
				(In Thousands)			
Cash and cash equivalents*	₱1,419,561	₱–	₱–	₱–	₱–	₱–	₱1,419,561
Short-term investments	965	–	–	–	–	–	965
Receivables:							
Trade**	913,756	2,320	1,978	1,736	103,849	5,773	1,029,412
Others	199,883	–	–	–	–	31,352	231,235
Advances to associates*** - net of subscription payable	62,345	–	–	–	–	159,893	222,238
Advances to related parties	482,469	–	–	–	–	9,196	491,665
HTM investments	750,000	–	–	–	–	–	750,000
AFS financial assets	28,619	–	–	–	–	20,555	49,174
Escrow fund	2,064,450	–	–	–	–	–	2,064,450
	₱5,922,048	₱2,320	₱1,978	₱1,736	₱103,849	₱226,769	₱6,258,700

**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 statements 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.

	2013			
	High Grade	Medium Grade	Unrated	Total
		(In Thousands)		
Cash and cash equivalents*	₱1,020,396	₱–	₱–	₱1,020,396
Receivables:				
Trade**	716,838	–	–	716,838
Others	230,296	–	–	230,296
Finance lease receivable	9,752,212			9,752,212
Advances to associates*** - net of subscription payable	176,723	–	–	176,723
Advances to related parties	11,587	–	–	11,587

(Forward)

	2013			
	High Grade	**Medium Grade**	**Unrated**	**Total**
		(In Thousands)		
HTM investments	**₱750,000**	**₱–**	**₱–**	**₱750,000**
AFS financial assets	**1,708,635**	**–**	**65,158**	**1,773,793**
	₱14,366,687	**₱–**	**₱65,158**	**₱14,431,845**

**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 statements of financial position.*

	2012			
	High Grade	Medium Grade	Unrated	Total
		(In Thousands)		
Cash and cash equivalents*	₱1,419,561	₱–	₱–	₱1,419,561
Short-term investments	965	–	–	965
Receivables:				
Trade**	913,756	–	–	913,756
Others	199,883	–	–	199,883
Advances to associates*** - net of subscription payable	62,345	–	–	62,345
Advances to related parties	482,469	–	–	482,469
HTM investments	750,000	–	–	750,000
AFS financial assets	25,861	–	2,758	28,619
Escrow fund	2,064,450	–	–	2,064,450
	₱5,919,290	₱–	₱2,758	₱5,922,048

**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 statements 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, short-term investments and escrow fund 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, 2013 and 2012 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.

	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*	**274,840**	**98,048**	**122,566**	**312,220**	**137,935**	**945,609**
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**
Advances to related parties	**11,587**	**–**	**–**	**–**	**–**	**11,587**
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**
Financial Liabilities						
Loans payable***	**₱–**	**₱201,310**	**₱85**	**₱–**	**₱–**	**₱201,395**
Accounts payable and other 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 statements of financial position.*
****Including future interest payments.*
*****Excluding customers' deposits, statutory payables and other liabilities to the government.*

	2012					
	On Demand	< 6 Months	6 Months to 1 Year	1–3 Years	> 3 Years	Total
			(In Thousands)			
Financial Assets						
Cash and cash equivalents	₱1,419,711	₱–	₱–	₱–	₱–	₱1,419,711
Short-term investments	965	–	–	–	–	965
Receivables*	117,353	144,091	160,397	534,886	227,626	1,184,353
Advances to associates** - net of subscription payable	62,345	–	–	–	–	62,345
Advances to related parties	482,469	–	–	–	–	482,469
HTM investments	750,000	–	–	–	–	750,000
AFS financial assets	28,619	–	–	–	–	28,619
Escrow fund	2,064,450	–	–	–	–	2,064,450
	₱4,925,912	₱144,091	₱160,397	₱534,886	₱227,626	₱5,992,912
Financial Liabilities						
Loans payable***	₱–	₱2,114,650	₱1,183	₱339	₱–	₱2,116,172
Accounts payable and other liabilities****	1,837,427	–	–	–	–	1,837,427
Long-term debt***	–	63,874	313,473	2,100,087	2,888,658	5,366,092
	₱1,837,427	₱2,178,524	₱314,656	₱2,100,426	₱2,888,658	₱9,319,691

**Excluding non-financial trade receivables amounting to ₱129.5 million.*
***Presented under "Investments in and advances to associates" account in the consolidated statements 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 which is expected to open in 2014, rental income on land and casino building (see Note 34) 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 2013 and 2012.

The Company considers the following as its capital:

	2013	2012 (As restated)
	(In Thousands)	
Preferred stock	**₱1,000,000**	₱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)**	(731,696)
Cost of Parent Company preferred and common shares held by subsidiaries	**(2,257,631)**	(562,375)
Retained earnings	**4,533,666**	893,813
	₱19,336,648	₱16,662,856

The Company monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as total interest-bearing debt over equity.

The Company's strategy, which remains unchanged from prior period, is to maintain the debt-to-equity ratio at manageable levels. For purposes of monitoring debt-to-equity ratio, the Company excludes trade and other payables arising from operations. Only interest-bearing debt is included in the total debt.

The debt-to-equity ratio is as follows:

	2013	2012
	(In Thousands, except for debt-to-equity ratio)	
Interest-bearing debt (a)	**₱5,792,815**	₱6,800,879
Equity (b)	**20,207,084**	16,623,395
Debt-to-equity ratio (a/b)	**0.29:1**	0.41:1

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:

	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:					
Cash and cash equivalents	1,170,246	1,170,246	–	–	1,170,246
Receivables:					
Trade	851,041	858,213	–	858,213	–
Others	230,296	230,296	–	–	230,296
Finance lease receivable	9,752,212	9,752,212	–	–	9,752,212
Advances to associates** - net of subscription payable	176,723	176,723	–	–	176,723
Advances to related parties	11,587	11,587	–	–	11,587
AFS financial assets (unquoted)	154,338	154,338	–	–	154,338
HTM investments	750,000	787,078	–	787,078	–
	13,096,443	13,140,693	–	1,645,291	11,495,402
	₱14,715,898	₱14,760,148	₱1,619,455	₱1,645,291	₱11,495,402
Liabilities					
Liabilities for which fair value is disclosed:					
Loans payable	₱201,395	₱201,395	₱–	₱–	₱201,395
Accounts payable and other liabilities***	2,429,441	2,429,441	–	–	2,429,441
Nontrade liability	4,000,000	4,000,000	–	–	4,000,000
Long-term debt	1,502,800	1,417,169	–	–	1,417,169
Assignment of receivables with recourse	89,549	83,469	–	–	83,469
	₱8,223,185	₱8,131,474	₱–	₱–	₱8,131,474

** Excluding non-financial trade receivables amounting to ₱129.5 million.*
***Presented under "Investments in and advances to associates" account in the consolidated statements of financial position.*
****Excluding customers' deposits, statutory payables and other liabilities to the government.*

	2012				
	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)	₱22,141	₱22,141	₱22,141	₱–	₱–

(Forward)

	2012				
	Carrying Value	Total	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets for which fair value is disclosed:					
Loans and receivables:					
Cash and cash equivalents	₱1,419,711	₱1,419,711	₱–	₱–	₱1,419,711
Short-term investments	965	965	–	–	965
Receivables:					
Trade	1,023,639	1,038,925	–	1,038,925	–
Others	199,883	199,883	–	–	199,883
Advances to associates** - net of subscription payable	62,345	62,345	–	–	62,345
Advances to related parties	482,469	482,469	–	–	482,469
AFS financial assets (unquoted)	6,478	6,478	–	–	6,478
HTM investments	750,000	719,286	–	719,286	–
Escrow fund	2,064,450	2,064,450	–	–	2,064,450
	6,009,940	5,994,512	–	1,758,211	4,236,301
	₱6,032,081	₱6,016,653	₱22,141	₱1,758,211	₱4,236,301
Liabilities					
Liabilities for which fair value is disclosed:					
Loans payable	₱2,081,714	₱2,081,714	₱–	₱–	₱2,081,714
Accounts payable and other liabilities***	1,837,427	1,837,427	–	–	1,837,427
Long-term debt	4,719,165	4,267,849	–	–	4,267,849
	8,638,306	₱8,186,990	₱–	₱–	8,186,990

**Excluding non-financial trade receivables amounting to ₱129.5 million.*
***Presented under "Investments in and advances to associates" account in the consolidated statements of financial position.*
****Excluding customers' deposits, statutory payables and other liabilities to the government.*

The Company has no financial liabilities measured at fair value as at December 31, 2013 and 2012. There were no transfers between fair value measurements in 2013 and 2012.

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 and Other Related Parties, Dividend and Other Receivables, Escrow Fund, Loans Payable, Accounts Payable and Other Liabilities and Nontrade Liability. 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 these financial assets 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 4.8% in 2012 in 2013, 2.0% to 5.1% in 2012 and 3.9% to 8.5% in 2011.

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 2013.

HTM Investments and AFS Financial Assets. The fair values of 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.

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 2.4% and 10.8% to 11.1%, respectively, in 2013, 2.5% and 8.8% to 10.4%, respectively, in 2012 and 2.2% and 9.3% to 10.4%, respectively, in 2011.

Assignment of 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.

38. Classification of Statement of Financial Position Accounts

The current portions of assets and liabilities that are expected to be recovered or settled within no more than 12 months after the reporting date are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Current assets:			
Cash and cash equivalents	**₱1,170,396**	₱1,419,711	₱2,766,880
Short-term investments	**–**	965	9,668
Receivables	**1,081,337**	1,223,522	602,163
Current portion of finance lease receivable	**(341,108)**	–	–
Real estate for sale	**654,967**	499,997	665,639
Club shares	**2,810,221**	2,812,642	2,786,148
Advances to associates* - net of subscription payable	**176,723**	62,345	131,507
Advances to related parties	**11,587**	482,469	457,764
Other assets	**1,082,985**	741,278	553,408
	₱5,077,591	₱7,243,019	₱7,973,177
Current liabilities:			
Loans payable	**₱200,466**	₱2,081,278	₱2,152,162
Current portion of long term-debt	**1,034,210**	–	–
Accounts payable and other liabilities	**2,469,852**	1,831,294	1,750,935
Assignment of accounts receivable with recourse	**89,549**	–	–
Income tax payable	–	416	8,258
	₱3,794,077	₱3,912,988	₱3,911,355

** Presented under "Investments in and advances to associates" account in the consolidated statements of financial position.*

In 2013, the Company changed the classification of the noncurrent portion of "Real estate for sale" amounting to ₱2.4 billion as at December 31, 2012 and January 1, 2012. As a result, the balances of both periods have been restated to enhance intra-period comparability. The reclassification did not affect the Company's compliance with loan covenants in current and previous years.

39. Supplemental Disclosure of Cash Flow Information

In 2013, the principal noncash transactions pertain to the Parent Company's share swap agreement with SM Land, Inc. which resulted to a gain amounting to ₱772.2 million (see Note 12) and accounting for its finance lease receivable which resulted to a Day 1 gain on finance lease amounting to ₱2,324.4 million and interest income on finance lease amounting to ₱1,177.6 million (see Note 31).

In 2012, the principal noncash transactions pertain to the Parent Company's gain on liquidating dividends from Belle Bay City amounting to ₱539.7 million (see Notes 12 and 15) and transfer of certain items of property and equipment to other assets amounting to ₱11.6 million (see Notes 16 and 18).

In 2011, the principal noncash transactions pertain to the Parent Company's share swap agreement for the acquisition of PLAI amounting to ₱5,261.2 million (see Notes 18 and 33) and the transfer of real estate for sale to investment property amounting to ₱111.3 million (see Notes 10 and 15).

SGV
Building a better working world

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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, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, included in this Form 17-A, and have issued our report thereon dated March 8, 2014. 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.

Clairma T. Mangangey

Clairma T. Mangangey
Partner
CPA Certificate No. 86898
SEC Accreditation No. 0779-AR-1 (Group A),
February 2, 2012, valid until February 1, 2015
Tax Identification No. 129-434-867
BIR Accreditation No. 08-001998-67-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225188, January 2, 2014, Makati City

March 8, 2014

Belle Corporation and Subsidiaries
Index to Supplementary Schedules
Form 17-A, Item 7
As at December 31, 2013

Belle Corporation and Subsidiaries
Schedule A - Financial Assets
As at December 31, 2013
(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	1,170,396	13,100
Trade receivables	N/A	986,264	
Other receivables	N/A	353,872	
Advances to associates	N/A	3,706,490	
Advances to related parties	N/A	11,587	
		6,228,609	13,100
AFS Investments			
Equity Investments	SM Prime Holdings	1,600,921	
Equity Investments	Tagaytay Midlands Int l Golf Club	88,800	
Equity Investments	Legend International Resorts - HK	58,319	
Equity Investments	SM Investments Corporation	18,521	
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	2,582	
		1,773,793	-
HTM Investments			
Debt investments	SM Investment Corporation	750,000	17,906
Total Financial Assets		8,752,402	31,006

Belle Corporation and Subsidiaries

Schedule B - Amounts of Receivables from Directors, Officers, Employees and Principal Stockholders

As at December 31, 2013

(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	-	[illegible]	-	-	-	[illegible]	-	[illegible]
Employees	[illegible]	-	[illegible]	-	-	[illegible]	-	[illegible]
Officers	[illegible]	[illegible]	-	-		[illegible]		[illegible]
Directors	[illegible]	-	[illegible]		-		[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	-	-	[illegible]	[illegible]	[illegible]

Belle Corporation and Subsidiaries

Schedule C. Amounts of Receivables from Related Parties

As at December 31, 2013

(Amounts in Thousands)

Name of Subsidiary	Balance at January 1, 2013	Additions	Amounts Collected	Amounts Provided with Allowance	Reclassification	Current	Not current	Balance at December 31, 2013	Amount Eliminated
Belle Bay Plaza Corporation	763	650,480		(650,480)		763	-	763	763
SLW Development Corp.	402,934	7,274				410,208		410,208	410,208
Belle Grande Resource Holdings Inc.	-	15,632	-		-	15,682	-	15,682	15,682
Parallax Resources, Inc	466,474	239,407				705,881		705,881	705,881
Sinophil Corporation	-	179,011				179,011		179,011	179,011
PremiumLeisure and Amusement, Inc.		3,136				3,136		3,136	3,136
	870,171	1,094,990		(650,480)		1,314,681		1,314,681	1,314,681

Belle Corporation and Subsidiaries
Schedule D. Intangible Assets
As at December 31, 2013
(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	[illegible]	-	-	-	-	[illegible]

[illegible] Corporation and Subsidiaries
Schedule F: Long Term Debt
As at December 31, 2013
(Amounts in Thousands)

Title of Issue and Type of Obligation	Amount Authorized by Indenture (In Original Currency)	Amount Authorized by Indenture (In PHP)	Balance at December 31, 2013 (In Original Currency)	Balance at December 31, 2013 (In PHP)	Current Portion of Long Term Debt (In Original Currency)	Current Portion of Long Term Debt (In PHP)	Non Current Portion of Long Term Debt (In Original Currency)	Non Current Portion of Long Term Debt (In PHP)	Interest Rate	Amount and Number of Periodic Payments (In Original Currency)	Amount and Number of Periodic Payments (Approx in PHP)	Amount and Number of Periodic Payments (Periodic Payments)	Maturity Date
[illegible]													
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]													
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]													
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			[illegible]						

Belle Corporation and Subsidiaries

Schedule F. Indebtedness to Related Parties

As at December 31, 2013

Name of Related Parties	Balance at January 1, 2012	Additions	Amounts Paid	Current	Not current	Balance at December 31, 2013
Banco de Oro	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]

Belle Corporation and Subsidiaries
Schedule G. Guarantees of Securities of Other Issuers
As at December 31, 2012
(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 Stocks
As at December 31, 2013

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 Stock	[illegible]	[illegible]	-	-	[illegible]	[illegible]	[illegible]
Percentage Held					[illegible]	[illegible]	[illegible]
Preferred Shares	[illegible]	1,000,000,000	-	-	1,000,000,000	-	-
Percentage Held					100%		

Belle Corporation and Subsidiaries

I. Reconciliation of Retained Earnings Available for Dividend Declaration

As at December 31, 2013

(Amounts in Thousands)

Unappropriated Retained Earnings as at December 31, 2012		(704,949)
(Deficit not available for dividend declaration)		
Effect of adoption of Revised PAS 19		59
Unappropriated Retained Earnings as at December 31, 2012, as restated		(704,890)
Net income based on the face of 2013 audited financial statements, as reported		3,847,448
Less: Non actual/unrealized income net of tax		
Finance lease adjustments:		
Interest income on finance lease receivable	(1,177,570)	
Day 1 Gain on finance lease receivable	(2,324,434)	
Actual cash receipts on finance lease	800,317	
Depreciation of investment property under finance lease	(99,471)	(2,801,158)
Gain on share swap		(946,628)
Unrealized foreign exchange gain on short-term investments		(1,651)
		(3,749,437)
Add: Non-actual losses		
Deferred tax liabilities on finance lease related adjustments		950,881
Unrealized foreign exchange loss on floating rate notes		73,745
		1,024,626
Net income actually earned during the period, as adjusted		**1,122,637**
Unappropriated retained earnings as adjusted to available for dividend declaration, at end of year		**417,747**

Belle Corporation and Subsidiaries
Schedule J. Key Financial Ratios
As at December 31, 2013 and 2012

		2013	2012
Asset-to-equity ratio	Total assets over stockholders equity	**1.56 : 1.00**	1.53 : 1.00
Current or Liquidity Ratio	Current assets over current liabilties	**1.71 : 1.00**	1.85 : 1.00
Debt-to-equity ratio	Interest-bearing debt over stockholders 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 over stockholders equity	**0.19 : 1.00**	0.15 : 1.00
Interest rate coverage ratio	Earnings Before Interest and Taxes over interest expense	**17.39 : 1.00**	6.69 : 1.00
Return on assets	Net income over average total assets during the period	**12.7%**	2.3%
Return on equity	Net income over average equity during the period	**19.7%**	3.4%

BELLE CORPORATION AND SUBSIDIAIRIES

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
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			✓
	Amendment to PFRS 1: 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			✓
	Amendment to PFRS 2: Definition of Vesting Condition*			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination*			✓
	Amendment to PFRS 3: 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			✓
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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	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	Not Early Adopted		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Early Adopted		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	Not Early Adopted		
PFRS 9	Financial Instruments	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	Not Early Adopted		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	Not Early Adopted		
	Amendments to PFRS 12: Investment Entities*	Not Early Adopted		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables*	Not Early Adopted		
	Amendment to PFRS 13: Portfolio Exception	Not Early Adopted		
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	✓		

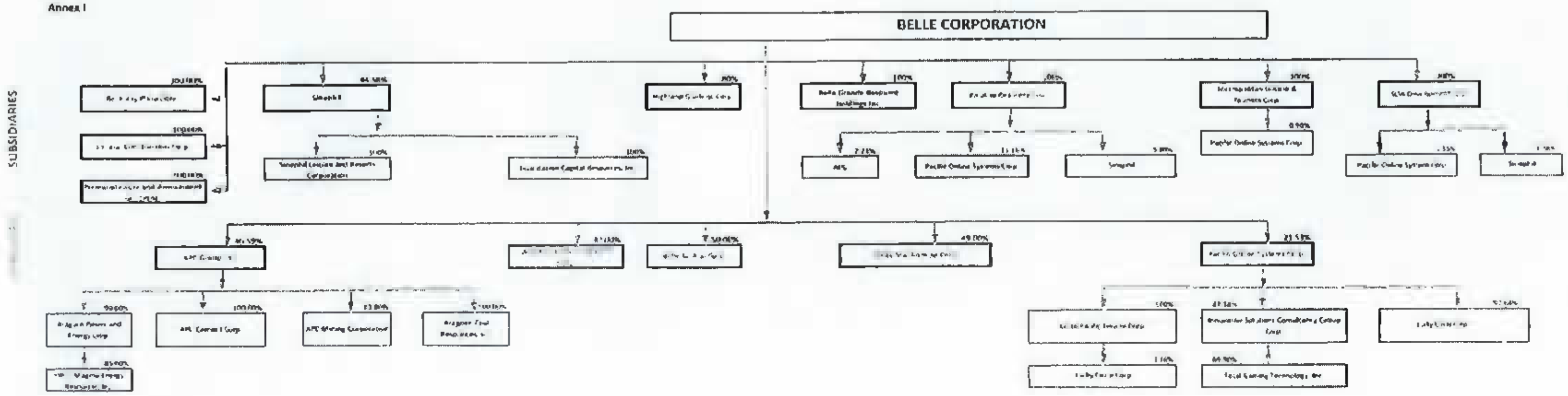
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation*	Not Early Adopted		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution*	Not Early Adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	Not Early Adopted		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	Not Early Adopted		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
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	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Not Early Adopted		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	Not Early Adopted		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization	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: Novation of Derivatives and Continuation of Hedge Accounting	Not Early Adopted		
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property	Not Early Adopted		
PAS 41	Agriculture			✓

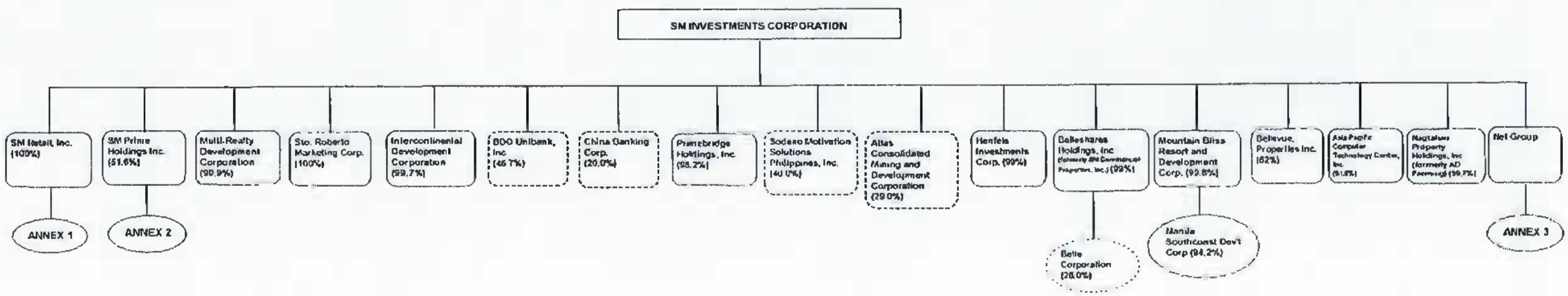
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar 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 Economics			✓
IFRIC 8	Scope of PFRS 2			✓
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 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
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	Agreements for the Construction of Real Estate	Not Early Adopted		
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 (IFRIC 21)	Not Early Adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases – Incentives			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
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			✓

Belle Corporation
Conglomerate Map
As of December 31, 2013
Annex I



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
Corporate Structure
As of December 31, 2013



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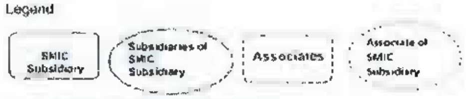

Note: % Refers to Effective Ownership