BELLE
CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

BENITO TAN GUAT
Chairman of the Board

FREDERIC C. DYBUNCIO
President and Chief Executive Officer

MANUEL A. GANA
Executive Vice President
and Chief Financial Officer

Signed this 6th day of March, 2015

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

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

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

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

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

5 2 4 1 2

Company Name

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

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
1 7 - A		

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

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

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

SGVFS011270

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, 2014 and 2013, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel

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

March 6, 2015

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 9, 40 and 44)	**₱6,326,509**	₱1,170,396
Investments held for trading (Notes 10, 21, 36 and 44)	**262,815**	–
Receivables - net (Notes 11, 40 and 44)	**1,474,911**	1,222,374
Current portion of:		
Finance lease receivable (Notes 38 and 44)	**722,745**	942,911
Advances to associates – net (Notes 15, 40 and 44)	**–**	176,723
Real estate for sale - at cost (Note 12)	**935,530**	654,967
Club shares - at cost (Note 13)	**2,700,551**	2,810,221
Other current assets (Notes 14 and 37)	**2,193,830**	679,316
Total Current Assets	**14,616,891**	7,656,908
Noncurrent Assets		
Real estate for sale - at cost (Notes 12 and 25)	**3,018,515**	2,937,309
Finance lease receivable - net of current portion (Notes 38 and 44)	**8,866,747**	8,809,301
Investments in and advances to associates - net (Notes 15, 40 and 44)	**93,909**	801,293
Available-for-sale financial assets (Notes 17 and 44)	**1,887,379**	1,773,793
Investment properties (Notes 18, 26 and 38)	**4,432,277**	2,958,707
Property and equipment (Note 19)	**576,817**	176,014
Intangible asset (Note 20)	**5,249,552**	5,261,186
Goodwill (Notes 21 and 22)	**1,828,578**	–
Pension asset (Note 39)	**1,103**	12,515
Deferred tax assets (Note 37)	**41,234**	–
Held-to-maturity investments (Notes 16, 40 and 44)	**–**	750,000
Other noncurrent assets (Note 23)	**778,084**	416,822
Total Noncurrent Assets	**26,774,195**	23,896,940
TOTAL ASSETS	**₱41,391,086**	₱31,553,848

LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities (Notes 12, 25, 38, 40 and 44)	**₱2,930,340**	₱2,469,852
Loans payable (Notes 24 and 44)	**3,000,017**	200,466
Assignment of receivables with recourse (Notes 11, 40 and 44)	**28,026**	89,549
Income tax payable	**56,546**	–
Current portion of:		
Estimated liability on construction costs (Note 18)	**1,035,028**	–
Nontrade liability (Notes 27 and 44)	**274,562**	–
Obligations under finance lease (Note 38)	**16,356**	–
Long-term debt (Notes 26, 40 and 44)	**12,500**	1,034,210
Installment payable (Notes 38 and 44)	**928**	–
Total Current Liabilities	**7,354,303**	3,794,077

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Per Share Amounts)

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

(Amounts in Thousands)

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements

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

BELLE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

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

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

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

2. Basis of Preparation and Statement of Compliance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Material Partly-owned Subsidiaries

Pacific Online

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

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

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

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

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

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

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

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

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

PLC

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

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

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

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

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

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

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

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

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

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

3. **Corporate Reorganization**

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

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

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

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

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

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

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

4. **Changes in Accounting Policies and Disclosures**

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

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

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

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

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

- Philippine Interpretation IFRIC 21, *Levies*

  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

- PAS 39, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (Amendments)

  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

Annual Improvements to PFRSs
Annual improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view of removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. These improvements are effective immediately but did not have a material impact on the Company's consolidated financial statements. These include:

- Annual improvements to PFRSs 2010-2012 Cycle (PFRS 13, *Fair Value Measurement*)

  The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Company.

- Annual improvements to PFRSs 2011-2013 Cycle (PFRS 1, *First-time Adoption of PFRS*)

  The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Company as it is not a first time PFRS adopter.

5. Future Changes in Accounting Policies

The Company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial position and performance.

Effective in 2015

- PF*RS 9, Financial Instruments – Classification and Measurement* (2010 version)

  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Amendments to PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions*

  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

Effective after 2015

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture -–Bearer Plants* (Amendments)

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not be applicable to the Company.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures, and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

Effective in 2018

- PFRS 9, *Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7, Financial Instruments: Disclosures* and PAS 39 (2013 version)

  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the Financial Reporting Standards Council (FRSC). The adoption of the final version of PFRS 9, however, is still for approval by BOA.

- PFRS 9, *Financial Instruments* (2014 or final version)

  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

Annual Improvements to PFRSs

These improvements to the following standards and interpretations are effective for annual periods beginning on or before January 1, 2015 and are not expected to have a material impact on the Company's consolidated financial statements.

Annual Improvements to PFRS (2010-2012 Cycle)

- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*

  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker.

- PAS 16, *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation*

  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b) The accumulated depreciation is eliminated against the gross carrying amount of the asset. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

- PAS 24, *Related Party Disclosures – Key Management Personnel*

  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

- PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization*

  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*

  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement – Portfolio Exception*

  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts.

- PAS 40, *Investment Property*

  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3.

Annual Improvements to PFRSs (2012-2014 Cycle)

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*

  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*

  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits – regional market issue regarding discount rate*

  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'*

  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Deferred Effectivity

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new Revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

6. Summary of Significant Accounting Policies

Fair value measurement

The Company measures financial instruments such as derivatives and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring and nonrecurring fair value measurements.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value measurement disclosures are presented in Note 44.

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 and Measurement of Financial Assets. Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Categories of Financial Assets. Financial assets, at initial recognition, are classified as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The

Company determines the classification of its financial assets at initial recognition and where allowed and appropriate, re-evaluates such classification every financial reporting date.

As at December 31, 2014 and 2013, the Company has no derivatives designated as hedging instruments.

- Financial assets at fair value through profit or loss

  Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39.

  The Company's financial assets held for trading consist of equity instruments in quoted shares of stock shown as shown under "Investments held for trading" account in the consolidated statement of financial position (see Note 10).

- Loans and Receivables

  Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL or AFS financial assets.

  This category includes the Company's receivables, finance lease receivables, advances to associates as shown under "Investments in and advances to associates" account in the consolidated statement of financial position, advances to related parties and escrow fund (see Notes 11, 15 and 40).

- HTM Investments

  HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. When the Company sells other than an insignificant amount of HTM financial assets, the entire category would be tainted and reclassified as AFS financial assets.

  The Company's investment in SM Investments Corporation (SMIC) retail bonds is classified as HTM investment as at December 31, 2013. The HTM investment was redeemed by the issuer in 2014, hence there is no outstanding balance as at December 31, 2014 (see Note 16).

- AFS Financial Assets

  AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. The Company designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

This category includes the Company's investments in quoted and unquoted equity securities shown under "Available-for-sale financial assets" account in the consolidated statement of financial position (see Note 17).

Subsequent Measurement. For the purposes of subsequent measurement, financial assets are classified in four categories: FVPL, Loans and Receivables, HTM Investments and AFS financial assets.

- Financial assets at fair value through profit or loss

  Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as part of "Other income (charges)" account in the consolidated statement of comprehensive income.

- Loans and Receivables

  After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is recognized in profit or loss. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. The losses arising from impairment are recognized in the consolidated statement of comprehensive income.

- HTM investments

  After initial measurement, these investments are subsequently measured at amortized cost using the EIR method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included under "Interest income" account in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the consolidated statement of comprehensive income.

- AFS Financial Assets

  After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as a separate component of other comprehensive income in the consolidated statement of comprehensive income and in the consolidated statement of changes in equity until the investment is derecognized or determined to be impaired, at which time, the cumulative gain or loss is recognized in profit or loss in the consolidated statement of comprehensive income.

  AFS financial assets in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments are measured at cost because its fair value cannot be measured reliably.

  The Company evaluates its AFS financial assets whether the ability and intention to sell such in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to HTM is permitted only when the Company has the ability and intent to hold until the financial asset matures accordingly.

For a financial asset reclassified from the AFS financial assets category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in other comprehensive income is amortized to profit or loss in the consolidated statement of comprehensive income over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired, then the amount recorded in the consolidated statement of changes in equity is reclassified to the profit or loss in the consolidated statement of comprehensive income.

Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a specific identification basis. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in profit or loss in the consolidated statement of comprehensive income when the right to receive payment has been established. The losses arising from impairment of such financial assets are recognized in profit or loss in consolidated statement of comprehensive income.

Financial Liabilities

Date of Recognition of Financial Liabilities. The Company recognizes financial liabilities in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

Initial Recognition of Financial Liabilities. Financial liabilities are recognized initially at fair value and in the case of other financial liabilities, net of directly attributable transaction costs.

Categories of Financial Liabilities. Financial liabilities are classified as financial liabilities at FVPL, other financial liabilities which are measured at amortized cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition and where allowed and appropriate, re-evaluates such classification every financial reporting date.

As at December 31, 2014 and 2013, the Company has no financial liabilities as at FVPL and derivatives designated as hedging instruments.

Other financial liabilities are not held for trading or not designated as at FVPL upon the inception of the liability. This includes liabilities arising from operations (e.g., trade and other current liabilities).

As at December 31, 2014 and 2013, this category includes the Company's loans payable, trade and other current liabilities (excluding customers' deposits, statutory payables and other liabilities to the government), nontrade liability, obligations under finance lease, installment payable and long-term debt (see Note 44).

Subsequent Measurement. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is recognized in profit or loss.

Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

"Day 1" Difference

Where the transaction price in a nonactive market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Classification of Financial Assets and Financial Liabilities Between Debt and Equity

A financial asset and financial liability is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost. For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through use of an allowance account and the amount of the loss is recognized in profit or loss in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the effective interest rate of the asset.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The Company provides an allowance for loans and receivables which they deemed to be uncollectible despite the Company's continuous effort to collect such balances from the respective customers. The Company considers those past due receivables as still collectible if they become past due only because of a delay on the fulfillment of certain conditions as agreed in the contract and not due to incapability of the customers to fulfill their obligation. However, for those receivables associated with pre-terminated contracts, the Company directly writes them off from the account since there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets. For AFS equity investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. The evidence of impairment for equity securities classified as AFS financial assets would include a significant or prolonged decline in fair value of investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the other comprehensive income - is removed from other comprehensive income and recognized in profit or loss in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the profit or loss in the consolidated statement of comprehensive income. Increases in fair value after impairment are recognized directly in other comprehensive income in the consolidated statement of comprehensive income.

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

Derecognition of Financial Assets and Financial Liabilities

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

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

Where the Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss in the consolidated statement of comprehensive income.

Real Estate for Sale
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes land acquisition cost, amounts paid to contractors for construction, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to complete and the estimated costs of sale. The cost of inventory property recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and allocation of any non-specific costs based on the relative size of the property sold. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

Club Shares

Club shares are stated at the lower of cost and NRV. The cost of club shares sold is determined on the basis mainly of the actual development cost incurred plus the estimated development cost to complete the project based on the estimates as determined by the in-house engineers, adjusted with the actual costs incurred as the development progresses. NRV is the estimated selling price less estimated cost to complete and sell.

Investments in Associates

An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or control are similar to those necessary to determine control over subsidiaries. Investments in associates are accounted for under the equity method. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associates since their respective acquisition dates. Goodwill relating to the associates is included in the carrying amount of the investments and is not tested for impairment individually.

Under the equity method, the investments in associates are initially recognized at cost.

The profit or loss in the consolidated statement of comprehensive income reflects the Company's share of the results of operations of the associates. When there has been a change recognized directly in the equity of the associates, the Company recognizes its share of any changes and discloses this, when applicable, as part of other comprehensive income and in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Company's share in income or loss of associates is shown on the face of the consolidated statement of comprehensive income. This is the income or loss attributable to equity holders of the associates and therefore is income or loss after tax and non-controlling interest in the subsidiaries of the associates.

If the Company's share of losses of an associate equals or exceeds the carrying amount of an investment, the Company discontinues including its share of further losses. After the Company's investment is reported at zero value, additional losses are provided for and a liability is recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits exceeds the share of net losses not recognized.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investment in its associates. The Company determines at each reporting date whether there is any objective evidence that each of the investment in associates is impaired. If such evidence exists, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment in associate and its carrying value and recognizes the loss against profit or loss in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the investment in associates upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss in the consolidated statement of comprehensive income.

The financial statements of the associates are prepared for the same reporting period as the Parent Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Parent Company.

Investment Properties

Investment properties comprise of land and building under construction held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met. Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties, except for land, are stated at amortized cost less impairment and accumulated depreciation, if any. Investment properties under construction are not depreciated until such time that the relevant assets are completed and become available for operational purpose.

Investment property is derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses, which are the difference between the net disposal proceeds and the carrying amount of the investment property, on the retirement or disposal, are recognized in profit or loss in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Business Combinations

Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method is used. Business combinations under common control are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in "Selling, general and administrative expenses" account in the consolidated statement of comprehensive income.

For accounting similar to pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements of the Company at their carrying amounts as if the combinations had occurred from the date when the acquired companies first became under the control of the Company. The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized under “Equity adjustments from business combination under common control” account in the equity section of the consolidated statement of financial position.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. If the contingent consideration is classified as equity, it should not be remeasured and subsequent settlement is accounted for within equity.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling inter costs and any previous interest held over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss as part of the consolidated statement of comprehensive income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company measures in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Company retrospectively adjusts the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Company also recognizes additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. The measurement period does not exceed one year from the acquisition date.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units, or group of cash generating units that are expected to benefit from the synergies of the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment or determined in accordance with PFRS 8, *Operating Segment.*

Impairment is determined by assessing the recoverable amount of the cash generating unit or group of cash generating units, to which the goodwill relates. Where the recoverable amount of the cash generating unit or group of cash generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash generating unit or group of cash generating units and part of the operations within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment loss with respect to goodwill is not reversed.

Negative goodwill which is not in excess of the fair values of the acquired identifiable nonmonetary assets of subsidiaries and associates is charged directly to income.

Transfers of assets between commonly controlled entities are accounted for under historical cost accounting.

When business combination involves more than one exchange transaction (occurs in stages), each exchange transaction is treated separately by the Company, using the cost of transaction and fair value information at the date of each exchange transactions, to determine the amount of goodwill associated with that transaction. Any adjustment to fair value relating to the previously held interest is a revaluation and is accounted for as such.

When subsidiaries are sold, the difference between the selling price and the net assets plus goodwill is recognized in profit or loss.

Property and Equipment

Property and equipment, except land, are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes of the cost of replacing part of the property and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of plant and equipment are recognized to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are charged against profit or loss in the consolidated statement of comprehensive income as incurred. Land is carried at cost net of accumulated impairment losses, if any.

Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Lottery equipment	4–10 years or term of lease, whichever is shorter
Leasehold improvements	15 years or the term of the lease, whichever is shorter
Machinery and equipment	5 years
Condominium units and improvements	17 years
Transportation equipment	4–5 years or the term of the lease, whichever is shorter
Office furniture, fixtures and equipment	5 years

The residual values, useful lives and methods of depreciation of property and equipment are reviewed, and adjusted if appropriate, at each financial year-end and adjusted prospectively, if appropriate.

Construction-in-progress represents property and equipment under construction and is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is transferred to the related property and equipment when the construction or installation and related activities necessary to prepare the property and equipment for their intended use have been completed. Construction-in-progress is not depreciated until such time that assets are completed and available for use.

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

Fully depreciated property and equipment are retained in the accounts until they are no longer in use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of comprehensive income in the year the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in the useful life from the indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Other Assets

Other assets are stated at cost less accumulated impairment losses, if any are shown in the consolidated statement of financial position. The accounting policies specific to the related assets are as follows:

Creditable Withholding Tax (CWT). CWT is recognized by virtue of Republic Act No. 8424, also known as the Tax Reform Act of 1997, relative to the withholding on income subject to expanded and final withholding tax on compensation, value-added tax and other percentage taxes. CWT is recognized when the other party withheld certain taxes payable to the tax authority, and is reduced to the extent of that CWT which will not be realized through the use of an allowance account.

Instant Scratch Tickets, Spare Parts and Supplies. Instant scratch tickets, spare parts and supplies are included under "Other current assets" account in the consolidated statement of financial position. Instant scratch tickets are valued at cost, less any impairment loss. Spare parts and supplies are valued at the lower of cost and net realizable value. Cost, which includes all costs attributable to acquisition, is determined using the first-in, first-out method. Net realizable value of spare parts and supplies is its current replacement cost.

Impairment of Nonfinancial Assets (excluding Goodwill)

The Company assesses at each reporting date whether there is an indication that investments in associates, investment properties, property and equipment, intangible asset and other assets may be impaired. If any such indication exists and when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell or and its value in use. The recoverable amount and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Any impairment loss is recognized in profit or loss in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired assets.

For asset excluding goodwill, an assessment is made at each reporting date to determine as to whether there is any indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company makes an estimate of the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Equity

Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital.

Retained earnings represent the accumulated earnings of the Company, net of dividends declared to date.

Equity Share in Cost of Parent Company Shares Held by Associates

Equity share in cost of Parent Company common shares held by associates represents the amount that reduces the Company's "Investments in and advances to associates" account and equity balance by the Company's effective ownership in Parent Company common shares held by associates.

Cost of Parent Company Common and Preferred Shares Held by Subsidiaries

Cost of Parent Company common shares held by subsidiaries are equity instruments which are reacquired (treasury shares) and are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized in other reserves.

Non-controlling Interest (NCI)

NCI represents the portion of profit or loss and the net assets not held by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from total equity attributable to owners of the Parent Company. Any losses applicable to a non-controlling shareholder of a consolidated subsidiary in excess of the non-controlling shareholder's equity in the subsidiary are charged against the NCI even if this results in NCI having a deficit.

NCI represent the equity interest in PLC and Pacific Online not held by the Parent Company.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Except for "Commission income," the Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Interest Income. Interest income from trade receivables and finance lease receivables is recognized as the interest accrues using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount. Interest income from bank deposits is recognized as it accrues.

Revenue from Sale of Real Estate and Club Shares. Revenue from sale of real estate, which include the sale of lots and condominium units and club shares, are accounted for under the full accrual method of accounting. Under this method, revenue and cost is recognized when: (a) the collectibility of the sales price is reasonably assured; (b) the earnings process is virtually complete; and (c) the seller does not have a substantial continuing involvement with the subject properties.

Real estate sales, where the Company has material obligations under the sales contract to provide improvements after the property are sold, are accounted for under the percentage of completion method. Under this method, the gain on sale is realized as the related obligations are fulfilled and the units are completed, measured principally as a percentage of actual cost incurred to date over the total estimated project cost.

If none of the revenue recognition criteria are met, deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is accounted as customers' deposits included under "Trade and other current liabilities" account in the consolidated statement of financial position.

Equipment Rental and Instant Scratch Ticket Sales. Income from equipment rental of central computer, communications equipment, including its accessories, lotto terminals, including the right to use the application software and manuals for the central computer system and terminals and draw equipment, as well as maintenance and repair fees are recognized based on a certain percentage of gross sales of the lessee's online lottery operations, as computed by the lessee in accordance with the agreement, or a fixed annual rental per terminal in commercial operations, whichever is higher.

Revenue from sale of instant scratch tickets is recognized when the significant risks and rewards of ownership of the Instant Scratch Tickets (tickets) have passed to the buyer and the amount of revenue can be measured reliably, net of all directly attributable costs and expenses.

Lease Income. Lease income arising from operating leases on investment properties is accounted for on a straight-line basis over the terms of the lease.

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

Gaming Revenue Share. Revenue representing monthly payments from MCE Leisure based on the performance of gaming operations of City of Dreams Manila integrated resort and casino is recognized when earned pursuant to an Operating Agreement.

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

Gain (Loss) on Finance Lease. Gain on finance lease pertains to the income arising from the difference between the fair value of an asset and its cost. Gain on finance lease is recognized when incremental economic benefit will flow to the entity and the amount can be measured reliably. Loss on finance lease pertains to a loss arising from the modification of cash flows.

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

Dividends and Gain on Liquidating Dividend. Revenue is recognized when the Company's right to receive the payment is established.

Commission Income on Sale of Real Estate Project of Related Party (presented under "Other revenue" account). Revenue is recognized when the related services are rendered. Commission is computed as a certain percentage of the net contract price of the sold real estate project of a related party.

Commission Income on Ticket Sales (presented under "Other revenues" account). Commission is recognized as a certain percentage of sales of PSCO lottery, sweepstakes, and instant scratch tickets.

Income from Forfeitures (presented under "Other income" account). This represents income from forfeitures of the deposits and, to a certain extent, installments from customers in the event of a default and/or from cancellations of sales. Revenue is recognized upon approval of cancellation.

Penalty (presented under "Other income" account). Penalty pertains to income from surcharges for buyers' default and late payments. Income is recognized when penalty is actually collected.

Other Income. Revenue is recognized when there is an incremental economic benefit, other than the usual business operations, that will flow to the Company and the amount of the revenue can be measured reliably.

<u>Costs and Expense Recognition</u>
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in profit or loss in the consolidated statement of comprehensive income on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Cost of real estate sold includes all direct materials and labor costs, and those indirect costs related to contract performance. When it is probable that the labor contract cost will exceed total contract revenue, the expected loss is recognized immediately. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements which may result in revisions to estimated costs and gross margins, are recognized in the year in which the revisions are determined. The cost of inventory recognized in profit or loss in the consolidated statement of comprehensive income upon sale is determined with reference to the specific costs incurred on the property, allocated to the saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

Leases
The determination of whether an arrangement is, or contain, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. There is a substantial change to the asset or assets.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d and at the date of renewal or extension period for scenario b.

Company as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are charged against profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Finance leases, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at fair value of the leased property or, of lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

Company as a lessor
Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income is recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Finance leases which transfer to the lessee substantially all the risks and benefits incidental to ownership of the leased item, are recorded as finance lease receivable measured at present value of the minimum lease payments. Lease payments from the lessee are apportioned between finance lease income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the receivable. Lease income is recognized under “Interest income on finance lease” account in the consolidated statement of comprehensive income.

The cost of the leased item is derecognized at inception of the lease. Cost includes estimated cost to complete the construction of a leased item and recognized as “Estimated liability on construction costs” separately shown in the consolidated statement of financial position and shall be settled based on actual billings from the contractors and adjusted upon completion of the construction. Any difference between the actual cost incurred and the estimated liability on construction costs are recognized in profit or loss.

Capitalization of Operating Lease. Where a building will be constructed on a land under operating lease, the operating lease costs that are incurred during the construction period may be capitalized as part of the construction cost of the building. Such lease costs are viewed as costs directly attributable to bringing the building to the location and condition necessary for it to be capable of operating in a manner intended by management. Lease costs are necessary and unavoidable costs of constructing the building, because without this lease, no construction could occur. Otherwise, this may be expensed outright.

Borrowing Costs
Borrowing costs directly attributable to the development of the Company's projects that necessarily take a substantial period of time to get ready for its intended use are capitalized as part of the cost of the investment property account in the consolidated statement of financial position. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use is complete. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Pension Costs
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, difference between interest income and return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting period.

Foreign Currency-denominated Transactions and Translations
Transactions denominated in foreign currency are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of transaction. Monetary assets and monetary liabilities denominated in foreign currencies are restated using the closing exchange rate at the reporting date. All differences are recognized in profit or loss in the consolidated statement of comprehensive income. Nonmonetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Income Taxes
Current Income Tax. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred Income Tax. Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and by the parent, venture or investor, respectively, it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences the carry forward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO) to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward benefits of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized in "Other comprehensive income" account are included in "Other comprehensive income" account in the consolidated statement of comprehensive income and not in profit or loss.

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

Value-Added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

Tax benefits acquired as part of a business combination but not satisfying the criteria for separate recognition at that date should be recognized subsequently if new information about facts and circumstances changed. The adjustments would either be treated as a reduction to goodwill.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Input VAT" under "Other current assets" account or "Output VAT payable" under "Trade payable and other current liabilities" account, respectively, in the consolidated statement of financial position.

<u>Earnings Per Share (EPS)</u>
Basic EPS is computed by dividing net profit or loss for the year attributable to common equity holders of the parent, after recognition of the dividend requirement of preferred shares, as applicable, by the weighted average number of issued and outstanding common shares during the year, after giving retroactive effect to any stock dividends declared during the year.

Diluted EPS is computed by dividing net profit or loss for the year attributable to common equity holders of the parent by the weighted average number of issued and outstanding common shares during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an anti-dilutive effect on EPS.

As the Company has no dilutive potential common shares outstanding, basic and diluted EPS are stated at the same amount.

Operating Segments
For management purposes, the Company is organized into business units based on the nature of the products and services provided, with each segment representing a strategic business unit that offers different products.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and, a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented as part of profit or loss in the consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the reporting period (adjusting events), if any, are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

7. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in future periods.

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

Recognition of Revenue and Cost of Sale of Real Estate and Club Shares. Selecting an appropriate revenue recognition method for a particular sale transaction requires certain judgments based on sufficiency of cumulative payments by the buyer and completion of development. The completion of development is determined based on actual costs incurred over the total estimated development costs reconciled with the engineer's judgment and estimates on the physical portion of contract work done if the development cost is beyond preliminary stage.

Revenue and cost from sale of real estate and club shares sold amounted to ₱300.3 million and ₱125.9 million, respectively, in 2014, ₱175.3 million and ₱115.4 million, respectively, in 2013 and ₱323.6 million and ₱117.2 million, respectively, in 2012 (see Note 32).

Business Combinations. The Company acquires subsidiaries which own real estate and gaming operations. At the time of acquisition, the Company considers whether the acquisition represents an acquisition of a business or a group of assets and liabilities. The Company accounts for an acquisition as a business combination where an integrated set of business processes is acquired in addition to the asset acquired. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary.

When the acquisition of subsidiary does not constitute a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values and no goodwill or deferred tax is recognized.

Please refer to Note 21 for the Company's most recent business combinations.

Assessing Significant Influence over Associates. Significant influence is presumed when there is a holding of 20% or more of the voting power of the investee (held directly or indirectly, through subsidiaries). Management assessed that the Company has significant influence over all its associates by virtue of the Company's holding more than 20% voting power in the investee, representation on the board of directors, and participation in policy-making processes of the associates.

The carrying value of the investments in and advances to associates amounted to ₱93.9 million and ₱978.0 million as at December 31, 2014 and 2013, respectively (see Note 15).

Assessing Control over Investees. The Company assesses whether or not it controls investees when it holds less than a majority voting right (de facto control) by considering the Company's exposure to, or rights to variable returns, from its involvement with the investee and its ability to affect those returns through its power over the investee. As at December 31, 2014 and 2013, the Company has not consolidated any investee by virtue of de facto control.

Determining Subsidiaries with Material Non-controlling Interests and Material Associates. The Company is required to disclose certain financial information on its subsidiaries with material non-controlling interests and material associates. There are also qualitative considerations including the nature of relationship between the Company and the subsidiary or associate and the nature of their businesses.

Management determines material subsidiaries with material non-controlling interests as those with assets, non-controlling interests, revenues and net income greater than 5% of consolidated assets, non-controlling interests, revenues and net income. Material associates are those where the Company's carrying amount of investment or equity in net earnings is greater than 5% of the consolidated assets or net income at year end.

The Company has determined PLC and Pacific Online in 2014 and PLC in 2013 as subsidiaries with material non-controlling interests (see Note 3). The Company has no material associates in 2014 and 2013 (see Note 15).

Evaluation of Lease Commitments. The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains a lease when the fulfillment of the arrangement depends on specific asset or assets and the arrangement conveys a right to use the asset.

Evaluation of Lease Agreement. The Parent Company has entered into a lease agreement with MCE Leisure (Philippines) Corporation for City of Dreams Manila for the lease of a building. The determination of whether a lease agreement has to be accounted for as operating or finance lease requires significant judgment. Management has determined based on evaluation of the terms and conditions of the arrangement, that the Parent Company transfers substantially all the risks and benefits incidental to ownership of the building and that the present value of the minimum lease payments amounts to at least substantially all of the fair value of the building at the lease inception date. On those bases, the Parent Company accounted for the lease of the building structures phase 1 under finance lease (see Notes 18 and 38).

Operating Lease – as a Lessor
The Parent Company, as a lessor, has accounted for the lease agreements for its land under an operating lease. The Parent Company has determined that it has not transferred the significant risks and rewards of ownership of the leased properties to the lessee because of the following factors:

a) the lessee will not acquire ownership of the leased properties upon termination of the lease; and
b) the lessee was not given an option to purchase the assets at a price that is sufficiently lower than the fair value at the date of the option.

Lease income earned from lease of land amounted to ₱188.8 million, ₱157.1 million and ₱18.4 million in 2014, 2013 and 2012, respectively (see Note 38).

Pacific Online and TGTI leases to Philippine Charity Sweepstakes Office (PCSO) the lottery equipment it uses for its nationwide on-line lottery operations. Pacific Online has determined that it has retained substantially all the risks and benefits of ownership of the lottery equipment being leased to PCSO. Accordingly, the lease is accounted for as an operating lease.

Revenue from equipment rental in 2014 amounted to ₱828.7 million (see Note 38).

Finance Lease – as a Lessee
Pacific Online also entered into various finance lease agreements covering certain lottery equipment. Pacific Online determined that it bears substantially all the risks and rewards incidental to the ownership of the said properties under finance lease agreements.

The carrying amount of lottery equipment under finance lease arrangements amounted to ₱123.3 million as at December 31, 2014 (see Note 38).

Operating Lease – as a Lessee
The Parent Company, as a lessee, has entered into lease agreements for its office space, land, parking lots, machinery, office and transportation equipment. The Parent Company has

determined that it has not acquired the significant risks and rewards of ownership of the leased properties, thus the Company recognized the lease agreements as operating leases.

Rent expense recognized from operating lease amounted to ₱11.7 million, ₱11.6 million and ₱8.4 million in 2014, 2013 and 2012, respectively (see Notes 34 and 38).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, many changes due to market changes or circumstances arising that are beyond the control of the Company. Such changes are related in the assumptions when they occur.

Determination of Fair Value of Financial Assets and Financial Liabilities. Certain financial assets and financial liabilities are carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any changes in the assumptions could affect the fair value of these financial assets and financial liabilities. Please refer to Note 44 for the required disclosures on the fair value of the Company's financial assets and financial liabilities.

Determination of Fair Value of Financial Assets Not Quoted in an Active Market. The Company classified financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly accruing market transaction in an arm's length basis.

The fair values of the Company's investments in unquoted shares cannot be reasonably determined as these shares are not quoted in an active market. There were no recent transactions involving these shares, therefore these investments are carried at cost less impairment, if any. The Company does not intend to dispose these investments in unquoted shares.

The carrying value of AFS financial assets in unquoted shares amounted to ₱2.7 million and ₱65.2 million as at December 31, 2014 and 2013, respectively (see Note 17).

Determination of Impairment of Receivables and Advances to Associates and Other Related Parties. The Company maintains an allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables and advances. The level of this allowance is evaluated by the management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the age and status of receivable, the length of relationship with the customers and related parties, the counterparty's payment behavior and known market factors.

The Company reviews the allowance on a continuous basis. Accounts that are specifically identified to be potentially uncollectible are provided with adequate allowance through charges to income in the form of provision for doubtful accounts. The amount and timing of recorded provision for doubtful accounts for any period would differ if the Company made different judgments or utilized different estimates. An increase in the Company's allowance for doubtful accounts would increase the recorded operating expenses and decrease its assets.

Aggregate provision for doubtful accounts on trade and other receivables and impairment loss on advances to related parties amounted to ₱5.5 million, ₱4.5 million and ₱4.5 million in 2014, 2013 and 2012, respectively (see Notes 11 and 36). Receivables, net of allowance for doubtful accounts, amounted to ₱1,474.9 million and ₱1,222.4 million as at December 31, 2014 and 2013, respectively. Allowance for doubtful accounts amounted to ₱132.1 million and ₱138.0 million as at December 31, 2014 and 2013, respectively (see Note 11).

Provision for doubtful accounts on advances to associates and impairment loss on advances to related parties amounted to ₱0.04 million, nil and ₱10.6 million in 2014, 2013 and 2012, respectively (see Notes 15, 36 and 40). Advances to associates, net of allowance for doubtful accounts, amounted to ₱3,704.6 million and ₱3,706.5 million as at December 31, 2014 and 2013, respectively. Allowance for impairment amounted to ₱145.3 million and ₱145.2 million as at December 31, 2014 and 2013, respectively (see Notes 15 and 40).

Determination of NRV of Real Estate for Sale, Club Shares and Supplies Inventory. Real Estate for sale, club shares and supplies inventory are stated at lower of cost and NRV. The Company writes down the carrying value of real estate for sale, club shares and supplies inventory whenever the NRV becomes lower than cost due to changes in estimated selling prices less cost to sell. The carrying value is reviewed at least annually for any decline in value.

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

	2014	2013
	(In Thousands)	
Real estate for sale (see Note 12)	**₱3,954,045**	₱3,592,276
Club shares (see Note 13)	**2,700,551**	2,810,221
Supplies inventory*(see Note 14)	**96,521**	3,778

**Included under "Other current assets" account in the consolidated statements of financial position.*

Determination of Impairment of AFS Financial Assets. The Company determines that AFS financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The Company determines that a decline in fair value of greater than 20% of cost is considered to be a significant decline and a decline for a period of more than 12 months is considered to be a prolonged decline. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates, among other factors, the normal volatility in share price for quoted equities. In addition, AFS financial assets are considered impaired when the Company believes that future cash flows generated from the investment is expected to decline significantly. The Company's management makes significant estimates and assumptions on the future cash flows expected and the appropriate discount rate to determine if impairment exists. Impairment may also be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

No provision for impairment loss was recognized in 2014, 2013 and 2012. However, as discussed in Note 11, the Company implemented the cancellation of the Swap Agreement and therefore reversed the impairment loss recognized in prior years on the shares, net of certain costs, amounting to ₱1,219.1 million. The carrying values of AFS financial assets amounted to

₱1,887.4 million and ₱1,773.8 million as at December 31, 2014 and 2013, respectively (see Notes 17 and 41).

Determination of Commencement of Amortization of Gaming License. The Company's gaming license ("License") will be amortized on a straight-line basis over the term of the License which is concurrent with Philippine Amusement and Gaming Corporation's (PAGCOR) congressional franchise set to expire in 2033. The amortization of the License commenced on December 14, 2014, the effectivty of the Notice to Commence Casino Operations issued by PAGCOR which replaced the provisional license (see Note 41).

Purchase price allocation - Estimating the fair values of acquiree's identifiable assets and liabilities and pre-existing relationship and previously held interest; goodwill and gain on bargain purchase. Where the fair values of the acquiree's identifiable assets and liabilities cannot be derived from active markets, the Company determined the fair values using internal valuation techniques and generally accepted valuation approaches. The inputs to these valuation approaches are taken from historical experience and observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The estimates may include discount rates and assumptions used in cash flow projections.

The fair values of the identifiable net assets acquired from Pacific Online 2014 amounted to ₱1,338.3 million (see Note 21). The Company accounts for the acquired businesses using the acquisition method which require extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill in the consolidated balance sheet or gain on bargain purchase in profit or loss. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial position and performance.

The acquisition of Pacific Online in 2014 has resulted in recognition of provisional goodwill amounting to ₱1,717.6 million, which remains unchanged as at December 31, 2014 (see Notes 21 and 22). Also, the acquisition by TGTI of FRI in 2014 also resulted to a goodwill of ₱110.9 million. Prior to TGTI's acquisition of FRI, TGTI has an existing consultancy arrangement with FRI which is considered as a pre-existing relationship in a business combination, thus the acquisition also resulted to recognition of loss on settlement of pre-existing relationship amounting to ₱217.4 million and deducted against the "Gain on significant acquisitions – net in the 2014 consolidated statement of comprehensive income (see Note 21).

The Company's controlling interest in Pacific Online in 2014 also requires remeasurement of previously held interest in Paficic Online and has resulted into a gain on remeasurement amounting to ₱1,096.8 million and presented under " Gain on significant acquisitions – net account in the 2014 consolidated statement of comprehensive income.

Impairment of Goodwill. The Company determines whether goodwill is impaired at least annually. This requires the estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating units and to choose a suitable discount rate to calculate the present value of those cash flows.

There is no impairment loss on goodwill in 2014. The carrying amount of goodwill amounted to ₱1,828.6 million as at December 31, 2014 (see Notes 21 and 22).

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

There were no changes in the estimated useful lives of property and equipment in 2014 and 2013.

Determination of Impairment of Nonfinancial Assets. The Company assesses whether there are any indicators of impairment for all nonfinancial assets at each reporting date. Investments in associates, investment properties, property and equipment and other assets are reviewed for impairment when there are indicators that the carrying amounts may not be recoverable. Intangible asset is reviewed annually for impairment while it is still not yet available for use. Determining the value in use of these nonfinancial assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Company to conclude that such nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's consolidated financial statements.

The carrying values of nonfinancial assets subjected to impairment review as at December 31, 2014 and 2013 are as follows:

	2014	2013
	(In Thousands)	
Investments in associates - net (see Note 15)	**₱110,261**	₱992,454
Investment properties (see Note 18)	**4,432,277**	2,958,707
Property and equipment (see Note 19)	**576,817**	176,014
Intangible asset (see Note 20)	**5,249,552**	5,261,186
Other current assets* (see Note 14)	**2,084,989**	629,774

**Excluding supplies inventory, deposits, advances to officers and employees, debt service reserves and accrual accounts.*

Realizability of Deferred Tax Assets. Deferred tax assets are recognized for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable income will be available against which the deferred tax assets can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable profit together with future tax planning strategies.

The carrying value of recognized deferred tax assets amounted to ₱2,398.0 million and ₱2,238.6 million as at December 31, 2014 and 2013, respectively. Unrecognized deferred tax assets amounted to ₱766.1 million and ₱764.5 million as at December 31, 2014 and 2013, respectively (see Note 37).

Determination and Computation of Pension Cost. The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Pension asset amounted to ₱1.1 million and ₱12.5 million as at December 31, 2014 and 2013, respectively. Pension liability amounted to ₱18.8 million as at December 31, 2014 (see Note 39).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Further details about the assumptions used are provided in Note 39.

Evaluation of Legal Contingencies. The Company is currently involved in legal and administrative proceedings. The Company's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsel handling defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on its financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 42).

No provision for probable losses has been recognized in 2014, 2013 and 2012.

8. Segment Information

The primary segment reporting format is presented based on business segments in which the Company's risks and rates of return are affected predominantly by differences in the products and services provided. Thus, the operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Company is primarily in the businesses of real estate development and gaming and gaming-related activities. Others pertain to investment companies which are mostly dormant.

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate for sale, club shares, investment properties and property and equipment, net of accumulated depreciation and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable and other liabilities. Segment assets and liabilities do not include deferred income taxes, investments and advances, and borrowings.

Segment revenue, segment expenses and segment performance include transfers among business segments. The transfers, if any, are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in consolidation.

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

	2014				
	Real Estate Development	**Gaming and Gaming Related Activities**	**Others**	**Eliminations/ Adjustments**	**Consolidated**
			(In Thousands)		
Earnings Information					
Revenue	**₱2,336,086**	**₱1,091,938**	**₱1,350**	**(₱265,582)**	**₱3,163,792**
Costs and expenses	**(702,107)**	**(701,009)**	**(20,419)**	**142,021**	**(1,281,514)**
Equity in net earnings of associates	**1,286**	**147,425**	**–**	**(31,521)**	**117,190**
Interest expense	**(89,798)**	**(8,925)**	**(220,000)**	**220,000**	**(98,723)**
Interest income	**22,667**	**7,312**	**222,000**	**(222,000)**	**29,979**
Provision for income tax	**1,112,895**	**129,743**	**–**	**(1,109,169)**	**133,469**
Net profit for the year	**6,707,646**	**1,863,660**	**7,297**	**(6,021,929)**	**2,556,674**
Net profit attributable to equity holders of the parent	**6,707,646**	**1,509,240**	**7,297**	**(6,021,929)**	**2,202,253**
Other Information					
Investments in and advances to associates	**10,000,006**	**1,556,556**	**4,000,763**	**(15,463,416)**	**93,909**
Investments held for trading	**–**	**746,617**	**–**	**(483,802)**	**262,815**
Available-for-sale financial assets	**1,872,478**	**1,238,614**	**–**	**(1,223,713)**	**1,887,379**
Advances to related parties	**46,504**	**–**	**–**	**(19,577)**	**26,927**
Segment assets	**27,829,655**	**18,764,154**	**126,956**	**(7,600,720)**	**39,120,056**
Segment liabilities	**3,027,898**	**718,625**	**56,354**	**(750,469)**	**3,052,412**
Total consolidated assets	**39,748,644**	**22,305,952**	**4,127,719**	**(24,791,229)**	**41,391,086**
Total consolidated liabilities	**16,221,242**	**4,115,095**	**4,099,369**	**(10,475,501)**	**13,960,205**
Capital expenditures	**2,699,728**	**80,705**	**–**	**–**	**2,780,433**
Depreciation and amortization	**(25,130)**	**(26,871)**	**–**	**(11,364)**	**(63,635)**

	2013				
	Real Estate Development	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Earnings Information					
Revenue	₱2,689,682	₱8,068	₱–	(₱73,503)	₱2,624,247
Costs and expenses	(844,261)	(12,539)	(356)	35,856	(818,300)
Equity in net earnings of associates	6,838	113,102	–	–	119,940
Interest expense	(103,852)	-	–	–	(103,852)
Interest income	56,108	4	–	–	56,112
Provision for income tax	1,332,276	1,253	–	–	1,333,529
Net profit (loss) for the year	3,539,242	133,058	1,529	(37,645)	3,636,184
Net profit (loss) attributable to equity holders of the parent	3,542,901	133,058	1,539	(37,645)	3,639,853
Other Information					
Investments in and advances to associates	7,217,779	146,912	4,000,763	(10,387,438)	978,016
HTM investments	750,000	–	–	–	750,000
Available-for-sale financial assets	3,252,731	1,572,102	41,742	(3,092,782)	1,773,793
Advances to related parties	11,587	–	–	–	11,587
Segment assets	22,930,795	61,671	54,633	4,993,353	28,040,452
Segment liabilities	3,108,310	1,283	25	(627,756)	2,481,862
Total consolidated assets	34,162,893	1,780,684	4,097,138	(8,486,867)	31,553,848
Total consolidated liabilities	14,366,829	1,174,227	4,019,455	(8,213,747)	11,346,764
Capital expenditures	1,130,170	–	–	–	1,130,170
Depreciation and amortization	(34,382)	(415)	(142)	–	(34,939)

	2012				
	Real Estate Development	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Earnings Information					
Revenue	₱494,433	₱25,000	₱–	(₱25,000)	₱494,433
Costs and expenses	(472,650)	(17,748)	(147)	25,000	(465,545)
Equity in net earnings of associates	146,601	142,129	–	–	288,730
Interest expense	(128,151)	–	–	–	(128,151)
Interest income	116,450	3	–	–	116,453
Provision for income tax	157,231	915	–	–	158,146
Net profit (loss) for the year	408,872	148,442	(151)	(1,500)	555,663
Net profit (loss) attributable to equity holders of the parent	408,910	148,442	(132)	(1,500)	555,720
Other Information					
Investments in and advances to associates	7,795,662	151,622	764	(6,064,989)	1,883,059
HTM investments	750,000	–	–	–	750,000
Available-for-sale financial assets	24,898	1,208,497	24,409	(1,229,185)	28,619
Advances to related parties	482,469	–	–	–	482,469
Segment assets	9,722,064	28,753	53,519	12,513,959	22,318,295
Segment liabilities	2,392,297	3,428	(822)	(708,008)	1,686,895
Total consolidated assets	18,775,092	1,388,874	78,691	5,219,785	25,462,442
Total consolidated liabilities	11,836,021	824,420	19,935	(3,841,329)	8,839,047
Capital expenditures	(2,104,947)	(51)	–	–	(2,104,998)
Depreciation and amortization	(30,414)	(411)	(101)	–	(30,926)

Revenues from a certain customer in the Company's real estate development business amounted to ₱1,597.9 million and ₱1,334.7 million for the years ended December 31, 2014 and 2013, respectively.

Revenues from another customer in the Company's gaming and gaming-related activities amounted to ₱828.7 million for the year ended December 31, 2014.

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

	2014	2013	2012
		(In Thousands)	
Revenues			
Total revenue for reportable segments	**₱3,429,374**	₱2,697,750	₱519,433
Elimination for intercompany revenue	**(265,582)**	(73,503)	(25,000)
Total consolidated revenues	**₱3,163,792**	₱2,624,247	₱494,433
Net Profit for the Year			
Total profit for reportable segments	**₱8,578,603**	₱3,673,829	₱557,163
Elimination for intercompany profits	**(6,021,929)**	(37,645)	(1,500)
Consolidated net profit	**₱2,556,674**	₱3,636,184	₱555,663
Assets			
Total assets for reportable segments	**₱39,120,056**	₱28,040,452	₱22,318,295
Investments in and advances to associates	**93,909**	978,016	1,883,059
HTM investments	**–**	750,000	750,000
AFS financial assets	**1,887,379**	1,773,793	28,619
Investments held for trading	**262,815**	–	–
Advances to related parties	**26,927**	11,587	482,469
Total consolidated assets	**₱41,391,086**	₱31,553,848	₱25,462,442

(Forward)

	2014	2013	2012
Liabilities			
Total liabilities for reportable segments	**₱3,052,408**	₱2,481,862	₱1,686,895
Loans payable	**3,000,017**	200,466	2,081,714
Long-term debt	**1,750,000**	1,502,800	4,719,165
Nontrade liability	**4,241,256**	4,000,000	–
Advances from related parties*	**75,267**	77,539	183,329
Deferred tax liabilities - net	**806,229**	836,530	167,944
Estimated liability on construction costs	**1,035,028**	2,247,567	–
Total consolidated liabilities	**₱13,960,205**	₱11,346,764	₱8,839,047

**Presented under "Trade payables and other current liabilities" account in the consolidated statements of financial position.*

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, financing (including interest expense and interest income) and income taxes are managed as a whole and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Disclosure of the geographical information regarding the Company's revenues from external customers and total assets have not been provided since all of the Company's consolidated revenues are derived from operations within the Philippines.

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

9. Cash and Cash Equivalents

This account consists of:

	2014	2013
	(In Thousands)	
Cash on hand and in banks (see Note 40)	**₱1,357,916**	₱269,184
Cash equivalents (see Note 40)	**4,968,593**	901,212
	₱6,326,509	₱1,170,396

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term investments which are made for varying periods within one day to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term investment rates.

Interest income earned from cash in banks, cash equivalents and short-term investments amounted to ₱17.0 million, ₱13.1 million and ₱86.3 million in 2014, 2013 and 2012, respectively (see Note 35).

10. **Investments Held for Trading**

This account consists mainly of investments of Pacific Online in quoted shares of stock of Leisure and Resorts World Corporation, Vantage Equities, Inc., APC Group, Inc., DFNN, Inc., ISM Communications Corp. and Philippine Long Distance Telephone Company.

The movements in investments held for trading during 2014 are as follows:

	Amount
	(In Thousands)
Balance at beginning of year	₱–
Assets of subsidiary accounted under acquisition method (see Note 21)	376,454
Acquisitions	30,060
Disposals (see Note 36)	(177,905)
Mark-to-market gain (see Note 36)	34,206
Balance at end of year	₱262,815

In 2014, the Company sold certain investments held for trading for ₱200.2 million.

11. **Receivables** - net

This account consists of:

	2014	2013
	(In Thousands)	
Trade receivables:		
Real estate sales	**₱625,164**	₱892,143
Equipment rental and instant scratch ticket sales	**315,912**	–
Lease income (see Note 38)	**239,543**	94,121
Gaming revenue share receivable (see Note 29)	**38,809**	–
Related parties (see Note 40)	**34,420**	20,313
Accrued interest	**1,671**	18,708
Advances to third parties and others	**351,449**	335,094
	1,606,968	1,360,379
Less allowance for doubtful accounts	**132,057**	138,005
	₱1,474,911	₱1,222,374

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

- Trade receivables from equipment rentals and sales of instant scratch tickets are generally on a 30 to 45 days credit term.

- Advances to third parties and other receivables are noninterest-bearing and generally have 90 days term.

As at December 31, 2014 and 2013, trade receivables from real estate with nominal amount of ₱921.3 million and ₱1,036.6 million, respectively, were recorded initially at fair value. The fair value of the receivables was obtained by discounting future cash flows using applicable interest rates ranging from 2.33% to 4.80% and 1.50% to 5.30% in 2014 and 2013. The unamortized discount amounted to ₱56.6 million and ₱50.4 million as at December 31, 2014 and 2013, respectively. Amortization of discount on trade receivables from real estate, shown under "Other revenue" account in the consolidated statement of comprehensive income, amounted to ₱10.0 million, ₱32.3 million and ₱29.4 million in 2014, 2013 and 2012, respectively (see Note 30).

Movement of unamortized discount on trade receivables from real estate are as follows:

	2014	2013
	(In Thousands)	
Trade receivables at nominal amount	**₱681,761**	₱942,519
Less discount on trade receivables:		
Balance at beginning of year	**50,376**	63,250
Discount recognized during the year	**16,175**	19,406
Amortization during the year (see Note 30)	**(9,954)**	(32,280)
	56,597	50,376
Balance at end of year	**₱625,164**	₱892,143

As at December 31, 2014 and 2013, the gross undiscounted trade receivables from real estate amounting to ₱28.0 million and ₱89.5 million, respectively, are assigned on a with recourse basis with BDO Unibank, Inc. (see Note 40).

Terms and conditions relating to related party receivables are disclosed in Note 40.

Movement in the allowance for doubtful accounts is as follows:

	2014			
	Trade	Related Parties	Others	Total
	(In Thousands)			
Balance at beginning of year	**₱5,773**	**₱8,656**	**₱123,576**	**₱138,005**
Provision (see Note 36)	**5,492**	**–**	**–**	**5,492**
Write-off	**(4,124)**	**(1,162)**	**(807)**	**(6,093)**
Others	**(5,347)**	**–**	**–**	**(5,347)**
Balance at end of year	**₱1,794**	**₱7,494**	**₱122,769**	**₱132,057**

	2013			
	Trade	Related Parties	Others	Total
	(In Thousands)			
Balance at beginning of year	₱5,773	₱9,198	₱31,352	₱46,323
Provision (see Note 36)	–	4,137	352	4,489
Allowance of a subsidiary accounted under pooling of interest	–	–	86,977	86,977
Others	–	(4,679)	4,895	216
Balance at end of year	₱5,773	₱8,656	₱123,576	₱138,005

Allowance for doubtful accounts is determined using specific identification method.

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

This account consists of:

	2014	2013
	(In Thousands)	
Land held for future development	**₱3,018,515**	₱2,937,309
Residential lots	**932,227**	651,664
Condominium units	**3,303**	3,303
	3,954,045	3,592,276
Real estate for sale - current	**935,530**	654,967
Real estate for sale - noncurrent	**₱3,018,515**	₱2,937,309

Land held for future development consists of properties in Tagaytay City, Batangas and Cavite. It includes certain parcels of land with a carrying value amounting to ₱985.6 million and ₱915.5 million as at December 31, 2014 and 2013, respectively, located in Batangas which are already in the Company's possession but are not yet fully paid pending the transfer of certificates of title to the Company. Outstanding payable related to the acquisition shown under "Trade and other current liabilities" account in the consolidated statement of financial position amounted to ₱166.1 million and ₱136.3 million as at December 31, 2014 and 2013, respectively (see Note 25).

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

	2014	2013
	(In Thousands)	
Balance at beginning of year	**₱3,592,276**	₱2,901,335
Construction/development costs incurred	**392,172**	132,446
Disposals (recognized as cost of sales) (see Note 32)	**(125,856)**	(91,654)
Land acquired during the year	**96,470**	529,660
Assets of subsidiary accounted under pooling of interest	**–**	27,971
Other adjustments	**(1,017)**	92,518
Balance at end of year	**₱3,954,045**	₱3,592,276

13. **Club Shares** - at cost

This account consists of:

	2014	2013
	(In Thousands)	
Tagaytay Midlands Golf Club, Inc. (TMGCI) (see Note 40)	**₱1,153,519**	₱1,262,340
The Country Club at Tagaytay Highlands, Inc. (Country Club)	**802,251**	803,100
Tagaytay Highlands International Golf Club, Inc. (Tagaytay Highlands)	**652,700**	652,700
The Spa and Lodge at Tagaytay Highlands, Inc.	**92,081**	92,081
	₱2,700,551	₱2,810,221

The Company has a Development Agreement (DA) with TMGCI for the construction and development of a 36-hole golf course which was amended on December 15, 1999. The terms of the amended DA call for as many subscriptions as there are shares, such that the club shares issued by TMGCI to the Company as the development progresses were in proportion to pre-agreed amount of development cost, inclusive of the initial capital contribution.

14. Other Current Assets

This account consists of:

	2014	2013
	(In Thousands)	
Advances to contractors and suppliers – net of allowance for doubtful accounts of ₱20.3 million in 2014 and 2013	**₱1,657,762**	₱395,510
Input VAT - net of allowance for probable loss of ₱12.4 million in 2014 and ₱3.4 million in 2013	**192,708**	78,851
Creditable withholding tax - net of allowance for probable loss of ₱4.3 million in 2014 and 2013	**145,536**	60,423
Prepaid expenses and others - net of allowance for probable loss of ₱57.2 million in 2014 and 2013	**88,983**	94,990
Instant scratch tickets supplies - at cost	**65,713**	–
Spare parts and supplies - net of allowance for decline in value of ₱18.7 million in 2014 and 2013	**30,808**	3,778
Deposits	**8,615**	–
Advances to officers and employees - net of allowance for doubtful accounts of ₱3.5 million in 2014 and 2013	**3,705**	5,106
Debt service reserve and accrual account (see Note 26)	**–**	40,658
	₱2,193,830	₱679,316

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

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

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

Prepaid expenses and others pertain to various prepaid expenses such as insurance, commission, subscription and refundable deposits for various contracts. In 2013, this also includes the “Other assets held for sale” relating to sale of Company’s office space in Pasig City.

Advances to officers and employees are noninterest-bearing and are normally liquidated within a year.

Debt service reserve and accrual account represents funds maintained with balance at least equal to the next principal and interest payments based on the Omnibus Loan and Security Agreement (OLSA) covenants (see Note 26).

15. **Investments in and Advances to Associates** - net

This account consists of:

	2014	2013
	(In Thousands)	
Investments in associates - net of impairment in value of ₱141.9 million in 2014 and 2013	**₱110,261**	₱992,454
Advances to associates - net of allowance for doubtful accounts of ₱145.3 million in 2014 and ₱145.2 million in 2013 (see Notes 36 and 40)	**3,704,576**	3,706,490
Subscription payable	**(3,720,928)**	(3,720,928)
	₱93,909	₱978,016

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

		2014			2013		
		Percentage of Ownership			Percentage of Ownership		
Associates	Industry	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total
Belle Jai Alai Corporation (Belle Jai Alai)*	Gaming	**50.00**	–	**50.00**	50.00	–	50.00
Lucky Star Gaming Corporation (Lucky Star)*	Gaming	**49.00**	–	**49.00**	49.00	–	49.00
Woodland Development Corporation (WDC)	Real estate	**47.00**	–	**47.00**	47.00	–	47.00
APC Group, Inc. (APC)	Mining	**46.64**	**2.21**	**48.85**	46.64	2.21	48.85
Pacific Online Systems Corporation (Pacific Online)**	Gaming	–	–	–	21.53	13.41	34.94

**Non-operating*
***Considered as subsidiary effective June 5, 2014*

The associates were all incorporated in the Philippines.

Movements of investments in associates consist of:

	2014	2013
	(In Thousands)	
Acquisition cost:		
Balance at beginning of year	**₱5,792,121**	₱11,435,139
Acquisition of additional interest in an associate	**413,272**	–
Acquisition of a subsidiary accounted under acquisition method (see Note 21)	**(767,078)**	–
Acquisition of a subsidiary accounted under pooling of interest	–	(4,815,635)
Disposal through share swap	–	(827,383)
Balance at end of year	**5,438,315**	5,792,121

(Forward)

	2014	2013
	(In Thousands)	
Accumulated equity in net losses:		
Balance at beginning of year	**(₱4,667,730)**	(₱5,182,793)
Acquisition of a subsidiary accounted under acquisition method (see Note 21)	**(600,150)**	–
Equity in net earnings for the year	**117,190**	119,940
Acquisition of a subsidiary accounted under pooling of interest	**–**	553,365
Share in declared dividends	**(47,000)**	(129,896)
Disposal through share swap	**–**	(28,346)
Balance at end of year	**(5,197,690)**	(4,667,730)
Accumulated share in unrealized gain on AFS financial assets:		
Balance at beginning of year	**12,488**	20,386
Share during the year	**1,573**	(8,560)
Acquisition of a subsidiary accounted under pooling of interest	**–**	(56)
Disposal through share swap	**–**	718
Balance at end of year	**14,061**	12,488
Total	**254,686**	1,136,879
Less allowance for impairment in value	**141,924**	141,924
	112,762	994,955
Less equity in cost of Parent Company common shares held by associates	**2,501**	2,501
	₱110,261	₱992,454

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

		2014	
	Carrying Values	**Advances**	**Subscription Payable**
		(In Thousands)	
Publicly listed:			
APC	**₱77,422**	**₱3,675,178**	**(₱3,675,000)**
Closely held:			
Others	**32,839**	**29,398**	**(45,928)**
	₱110,261	**₱3,704,576**	**(₱3,720,928)**

		2013	
	Carrying Values	Advances	Subscription Payable
		(In Thousands)	
Publicly listed:			
Pacific Online	₱836,480	₱–	₱–
APC	77,422	3,675,116	(3,675,000)
Closely held:			
Others	78,552	31,374	(45,928)
	₱992,454	₱3,706,490	(₱3,720,928)

Summarized financial information of the Company's associates, which are considered immaterial are as follows:

	2014	2013
	(In Thousands)	
Net income	**₱122,856**	₱253,677
Other comprehensive loss	**(2,309)**	(31,319)
Total comprehensive income	**120,547**	222,358

Investments in Highlands Prime. On August 12, 2013, the Parent Company entered into a share swap agreement with SM Land, Inc. wherein the Parent Company's investment in Highlands Prime with a total of 804,557,877 shares were exchanged for 108,615,313 SM Prime shares of SM Land, Inc., included under "AFS financial assets" account. The said transaction resulted in a gain amounting to ₱772.2 million.

Investment in Pacific Online. Pacific Online is engaged in lottery in Visayas and Mindanao. The Company's total ownership in Pacific Online increased to 51.89% as at December 31, 2014, from 34.94% as at December 31, 2013, after a series of share purchases in the secondary market at the PSE during 2014. As a result, the Company consolidates Pacific Online effective June 5, 2014. The acquisition method of accounting for business combination resulted to a goodwill of ₱1,717.6 million (see Notes 21 and 22).

Investment in Belle Bay City. Belle Bay City's major development project is a 19-hectare mixed-use real estate development along Roxas Boulevard, on a reclaimed land in Manila Bay. On June 27, 2003, the BOD of Belle Bay City approved the resolution to amend its articles of incorporation to shorten its corporate term from 50 years to end on January 31, 2004. The stockholders of Belle Bay City ratified the resolution on July 10, 2003. On January 27, 2005, the SEC approved the dissolution of Belle Bay City. On November 11, 2012, the Company received additional land as full payment of liquidating dividends from Belle Bay City amounting to ₱1,054.2 million. As a result, the Company derecognized its investment in and advances to Belle Bay City with a total carrying value of ₱514.5 million, prior to the receipt of the liquidating dividends, and recognized a gain on liquidating dividend in the consolidated statement of comprehensive income amounting to ₱539.7 million in 2012.

Investment in WDC. On June 18, 2012, WDC sold parcels of land to SM Development Corporation, a related party. Gain on sale of land amounted to ₱400.0 million. As a result of the transaction, the Company recognized an after tax gain of ₱131.6 million presented as part of "Equity in net earnings of associates" account in the 2012 consolidated statement of comprehensive income.

Subscriptions payable to APC. Belle and APC agreed that the advances of Belle to APC will be applied against subscription payable. As at December 31, 2014 and 2013, the subscription payable was presented as a reduction from advances to APC.

In February 2015, Belle and APC finalized the agreement. Accordingly, the advances and subscription payable have been settled and the corresponding shares have been issued.

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

	2014	2013
	(In Thousands)	
Balance at beginning of year	**₱145,233**	₱159,893
Provision during the year (see Note 36)	**40**	–
Disposal during the year	–	(14,660)
Balance at end of year	**₱145,273**	₱145,233

16. **Held-to-Maturity Investments**

This pertains to the Company's investment in SMIC Series C 6.0000% and Series D 6.9442% fixed rate retail bonds. The retail bonds were purchased and issued on July 16, 2012 at face value and will mature 7 and 10 years from the issue date, respectively. Interest payments are scheduled semi-annually. The carrying amount of the Company's held-to-maturity investments amounted to ₱750.0 million as at December 31, 2013. The Company recognized a gain of ₱31.4 million on redemption of its investments in SMIC fixed retail bonds in April 2014. The gain is included in "Other income (charges) - net" account in the consolidated statement of comprehensive income.

Interest income earned on the HTM investments amounted to ₱12.9 million, ₱38.7 million and ₱17.9 million in 2014, 2013 and 2012, respectively (see Note 35).

17. **Available-for-sale Financial Assets**

This account consists of:

	2014	2013
	(In Thousands)	
Shares of stock:		
Quoted	**₱1,879,730**	₱1,619,455
Unquoted	**2,729**	65,158
Club shares	**4,920**	89,180
	₱1,887,379	₱1,773,793

The Company intends to hold these investments indefinitely in response to liquidity requirements or changes in market conditions.

Movement in AFS financial assets consists of:

	2014	2013
	(In Thousands)	
Cost		
Balance at beginning of year	**₱3,574,829**	₱34,306
Cancellation of share swap agreement (see Note 41)	**(1,559,847)**	–
Acquisition through share swap	–	1,775,566
Assets of subsidiary accounted under pooling of interest	–	1,764,957
Reclassification and others	**(201,000)**	–
Balance at end of year	**1,813,982**	3,574,829
Unrealized gain (loss) on AFS financial assets:		
Balance at beginning of year	**(190,785)**	14,868
Increase (decrease) in fair value during the year	**277,831**	(205,653)
Balance at end of year	**87,046**	(190,785)
Allowance for impairment in value:		
Balance at beginning of year	**1,610,251**	20,555
Cancellation of share swap agreement (see Note 41)	**(1,559,847)**	–
Impairment of asset of a subsidiary accounted under pooling of interest	–	1,589,696
Others	**(36,755)**	–
Balance at end of year	**13,649**	1,610,251
	₱1,887,379	₱1,773,793

AFS financial assets also include the 46,381,600 shares of Legend International Resort H.K. (LIR-HK) held by PLC in relation to a Swap Agreement which was subsequently rescinded as further discussed in Note 41.

In 2014, TMGCI club shares amounting to ₱198.0 million were reclassified to "Club shares – at cost" in the consolidated statement of financial position.

18. Investment Properties

This account consists of:

	2014	2013
	(In Thousands)	
City of Dreams Manila building phase 2 - construction in progress (CIP) (see Note 26)	**₱2,891,315**	₱1,817,424
Land (see Note 26)	**1,540,962**	1,141,283
	₱4,432,277	₱2,958,707

Investment properties consist of entertainment and resort facilities still under construction, land intended for lease and land that is the subject of the operating lease agreement (see Note 38).

As at December 31, 2014 and 2013, borrowing costs amounting to ₱191.3 million and ₱111.0 million, respectively, have been capitalized as part of investment properties under construction (see Notes 24 and 26). The average capitalization rates used were 3.9% and 3.8% in 2014 and 2013, respectively. Movements in investment properties are as follows:

	2014	2013
	(In Thousands)	
Balance at beginning of year	**₱2,958,707**	₱5,584,824
Additions	**1,393,285**	3,919,175
Capitalized borrowing costs, including amortization of debt discount (see Notes 24 and 26)	**80,285**	111,023
Assets of a subsidiary accounted under pooling of interest	–	394,210
Derecognized asset under finance lease	–	(7,050,525)
Balance at end of year	**₱4,432,277**	₱2,958,707

Land and entertainment and resort buildings amounting to ₱2,642.3 million as at December 31, 2013 were mortgaged as security for the Company's long-term loans payable, which was pre-terminated in May 2014 (see Note 26).

Construction cost of the City of Dreams Manila building phase 1, amounting to ₱7.1 billion, was derecognized and accounted for as finance lease in 2013 (see Note 38). Related estimated liability on construction costs, representing estimated cost to complete building phase 1, amounted to ₱1.0 billion and ₱2.2 billion as of December 31, 2014 and 2013, respectively. Resulting gain on finance lease amounted to ₱2.3 billion and separately shown in the 2013 consolidated statement of comprehensive income.

Construction costs for the City of Dreams Manila building phase 2 were derecognized and accounted for as a finance lease on January 1, 2015.

The carrying value of the investment properties approximates the aggregate fair value as of December 31, 2014 and 2013. The fair values were determined based on a cost approach valuation technique using current material and labor costs and categorized under Level 3 of the fair value hierarchy. The current use of all investment properties is their highest and best use.

19. Property and Equipment

The rollforward analysis of this account follows:

	2014							
	Lottery Equipment	**Land and Leasehold Improvements**	**Machinery and Equipment**	**Condominium Units and Improvements**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Construction-in-progress**	**Total**
				(In Thousands)				
Cost								
Balance at beginning of year	**₱–**	**₱252,248**	**₱226,289**	**₱243,769**	**₱39,304**	**₱78,998**	**₱5,082**	**₱845,690**
Assets of subsidiary accounted under acquisition method (see Note 21)	**292,583**	**21,055**	**–**	**–**	**24,025**	**46,790**	**–**	**384,453**
Additions	**31,097**	**2,775**	**13,014**	**18**	**19,852**	**37,779**	**–**	**104,535**
Disposal	**(202)**	**–**	**–**	**–**	**(16,714)**	**–**	**–**	**(16,916)**
Reclassifications/adjustments	**–**	**–**	**–**	**–**	**–**	**–**	**40,862**	**40,862**
Balance at end of year	**323,478**	**276,078**	**239,303**	**243,787**	**66,467**	**163,567**	**45,944**	**1,358,624**

(Forward)

	2014							
	Lottery Equipment	**Land and Leasehold Improve-ments**	**Machinery and Equipment**	**Condominium Units and Improve-ments**	**Trans-portation Equipment**	**Office Furniture, Fixtures and Equipment**	**Construction-in-progress**	**Total**
				(In Thousands)				
Accumulated Depreciation, Amortization and Impairment Loss								
Balance at beginning of year	**₱–**	**₱240,393**	**₱161,403**	**₱165,120**	**₱32,879**	**₱69,881**	**₱–**	**₱669,676**
Depreciation and amortization for the year (see Notes 31, 33 and 34)	**62,447**	**8,697**	**10,996**	**10,807**	**11,169**	**24,810**	**–**	**128,926**
Disposal	**(81)**	**–**	**–**	**–**	**(16,714)**	**–**	**–**	**(16,795)**
Reclassifications/adjustments	**–**	**–**	**651**	**(653)**	**–**	**2**	**–**	**–**
Balance at end of year	**62,366**	**249,090**	**173,050**	**175,274**	**27,334**	**94,693**	**–**	**781,807**
Net Book Value	**₱261,112**	**₱26,988**	**₱66,253**	**₱68,513**	**₱39,133**	**₱68,874**	**₱45,944**	**₱576,817**

	2013						
	Land and Leasehold Improvements	Machinery and Equipment	Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction-in-progress	Total
				(In Thousands)			
Cost							
Balance at beginning of year	₱253,463	₱188,914	₱260,095	₱74,874	₱77,057	₱5,082	₱859,485
Additions	1,128	37,378	–	1,072	2,243	–	41,821
Disposal	–	–	(20,821)	(38,065)	–	–	(58,886)
Reclassifications/adjustments	(2,343)	(3)	4,495	1,423	(302)	–	3,270
Balance at end of year	252,248	226,289	243,769	39,304	78,998	5,082	845,690
Accumulated Depreciation, Amortization and Impairment Loss							
Balance at beginning of year	235,263	152,063	183,527	64,534	63,815	–	699,202
Depreciation and amortization for the year (see Note 34)	4,866	7,639	13,310	4,493	4,631	–	34,939
Disposal	–	–	(16,553)	(38,065)	–	–	(54,618)
Reclassifications/adjustments	264	1,701	(15,164)	1,917	1,435	–	(9,847)
Balance at end of year	240,393	161,403	165,120	32,879	69,881	–	669,676
Net Book Value	₱11,855	₱64,886	₱78,649	₱6,425	₱9,117	₱5,082	₱176,014

Allowance for impairment loss on property and equipment amounted to ₱186.3 million as at December 31, 2014 and 2013.

The Company has disposed of certain property and equipment at a gain of ₱0.5 million, ₱72.0 million and ₱0.6 million in 2014, 2013 and 2012, respectively (see Note 36).

The cost of fully depreciated property and equipment which are still being used amounted to ₱303.6 million and ₱298.1 million as at December 31, 2014 and 2013, respectively. The Company has no idle assets as at December 31, 2014 and 2013.

20. **Intangible Asset**

Intangible asset pertains to the “License” granted by PAGCOR for which PLAI is a co-licensee to operate integrated resorts, including casinos. The License runs concurrent with PAGCOR’s Congressional Franchise, set to expire in 2033 (see Note 41).

The License has a total carrying value of ₱5,249.6 million and ₱5,261.2 million as at December 31, 2014 and 2013, respectively and was pledged as a security for the Company’s long-term loans payable as at December 31, 2013. The long-term loans payable was pre-terminated in May 2014. As a result, the License is not pledged as a security as at December 31, 2014.

The amortization of the intangible asset on the License started on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR. For the year ended December 31, 2014, amortization of intangible asset amounting to ₱11.6 million was presented as part of "Depreciation and amortization" expense under "General and administrative expenses" in the 2014 consolidated statement of comprehensive income (see Note 34).

21. Significant Acquisitions and Business Combinations

Acquisition of Additional Interest in Pacific Online

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

The computation for the gain on the remeasurement of the Company's previously held interest in Pacific Online is as follows:

	Amount
	(In Thousands)
Fair value of investment before obtaining control	₱2,464,016
Less total investment carrying value before obtaining control:	
Cost of investment before obtaining control (see Note 15)	767,078
Accumulated equity in net earnings of Pacific Online before obtaining control (see Note 15)	600,150
	1,367,228
Gain on remeasurement of investment in Pacific Online	₱1,096,788

The gain on remeasurement of investment is presented under "Gain on significant acquisitions – net" in the 2014 consolidated statement of comprehensive income.

The acquisition of Pacific Online was accounted for based on provisional fair values of the identifiable assets and liabilities as at the date of the acquisition as follows:

	Provisional Fair Values
	(In Thousands)
Cash and cash equivalents	₱153,993
Receivables	703,608
Investments held for trading (Note 10)	376,454
Other current assets	120,113
Property and equipment (Note 19)	384,453
Other noncurrent assets	59,717
Total identifiable assets *(Carried Forward)*	1,798,338

	Provisional Fair Values
	(In Thousands)
Total identifiable assets *(Brought Forward)*	₱1,798,338
Less:	
Trade and other current liabilities	362,592
Other noncurrent liabilities	97,406
Total identifiable liabilities	459,998
Total identifiable net assets at fair value	1,338,340
Goodwill arising from acquisition (see Note 22)	1,717,644
	3,055,984
Non-controlling interest measured at proportionate share of the provisional fair value	(665,879)
	₱2,390,105

	Amount
	(In Thousands)
Fair value of investment after remeasurement of previously held interest	₱2,464,016
Purchase cash consideration	255,694
Total consideration	2,719,710
Consideration allocated to treasury shares and non-controlling interest in PLC	(329,605)
Purchase consideration transferred	₱2,390,105

The provisional goodwill of ₱1,717.6 million represents the value of expected synergies arising from the business combination.

The gross amount and the fair value of receivables amounted to ₱715.4 million and ₱703.6 million, respectively. The Company expects to collect an amount equal to the fair value of the Pacific Online's receivables at acquisition date.

The purchase price allocation is subject to finalization pending the identification of potential intangible assets.

The total consideration of ₱2,719.7 million included a consideration allocated to a pre-existing relationship with Pacific Online. Pacific Online held shares in the Parent Company and PLC at acquisition date. This was accounted for as acquisition of treasury shares, recorded under "Cost of Parent Company common and preferred shares held by subsidiaries" account, and non-controlling interest in PLC amounting to ₱328.1 million and ₱1.5 million, respectively.

Transaction costs amounting to ₱0.4 million were recognized under "General and administrative expenses" in 2014.

The Company's consolidated revenue and net income would have increased by ₱700.8 million and would have decreased by ₱193.0 million, respectively, for the year ended December 31, 2014 had the acquisition of additional interest in Pacific Online taken place on January 1, 2014. Total revenue and net income of Pacific Online included in the consolidated statement of comprehensive for 2014 are ₱1,030.3 million and ₱124.6 million, respectively.

The net cash outflow on the acquisition is as follows:

	Amount
	(In Thousands)
Purchase consideration	₱255,694
Transaction costs (presented under operating activities)	409
Cash and cash equivalents acquired from the subsidiary	(153,993)
	₱102,110

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

The acquisition of FRI was accounted for based on provisional fair values of the identifiable assets and liabilities as at the date of the acquisition as follows:

	Provisional Fair Values
	(In Thousands)
Cash and cash equivalents	₱38,685
Receivables	20,272
Other current assets	13,072
Other noncurrent assets	1,072
Total identifiable assets	73,101
Less accounts payable	51,475
Total identifiable net assets at fair value	21,626
Goodwill arising from acquisition (see Note 22)	110,934
Purchase consideration transferred	₱132,560

	Amount
	(In Thousands)
Total consideration	₱350,000
Consideration allocated to the cost of settlement of a pre-existing relationship	(217,440)
	₱132,560

The net assets acquired at the date of acquisition were based on a provisional assessment of fair value. Pacific Online engaged an independent valuation of FRI’s lotto distribution and consultancy businesses for purchase price allocation purposes.

The goodwill of ₱110.9 million represents the fair value of expected synergies arising from the acquisition of FRI by TGTI.

The gross amount and the fair value of receivables of FRI amounted to ₱22.0 million and ₱20.3 million, respectively, at acquisition date. The Company expects to collect an amount equal to the fair value of the Pacific Online’s receivables at acquisition date.

The provisional allocation of the consideration based on relative fair values of FRI's businesses is as follows:

	Fair market values	Allocation rate	Consideration
	(In Thousands)		*(In Thousands)*
Business combination - distribution business	₱134,174	38%	₱132,560
Settlement of a pre-existing relationship - consultancy business	220,088	62%	217,440
	₱354,262		₱350,000

The total consideration of ₱350.0 million included a consideration allocated to a pre-existing relationship with FRI. TGTI and FRI effectively terminated their consultancy services agreement between as a result of the acquisition. Accordingly, ₱217.4 million loss was recognized and presented under "Gain on significant acquisitions - net" in the 2014 consolidated statement of comprehensive income.

The Company's consolidated revenue and net income would have increased by ₱13.0 million and ₱2.1 million, respectively, for the year ended December 31, 2014 had the acquisition of FRI taken place on January 1, 2014. Total revenue and net income of FRI included in the 2014 consolidated statement of comprehensive amounted to ₱1.1 million and ₱0.2 million, respectively.

The net cash outflow on the acquisition is as follows:

	Amount
	(In Thousands)
Settlement of a pre-existing relationship (presented under operating activities)	₱217,440
Purchase consideration	132,560
Cash and cash equivalents acquired from the subsidiary	(38,685)
	₱311,315

Acquisition of non-controlling interest in PLC

Parallax and SLW (wholly owned subsidiaries) acquired additional interest in PLC on April 23, 2013 for a total consideration of ₱340.0 million. The acquisition of additional shares by Parallax and SLW resulted to the Parent Company acquiring control over PLC with effective ownership interest of 58.1% as of April 2013 through December 31, 2013. The pooling of interest method was applied since Parallax, SLW and PLC are entities under common control. The excess of cost over PLC's net assets at the time of acquisition amounting to ₱252.0 million is recorded in equity as "Excess of cost over net asset value of an investment."

22. Goodwill

Goodwill acquired from business combinations as at December 31, 2014 consist of:

	Amount
	(In Thousands)
Acquisition of:	
Pacific Online (see Note 21)	₱1,717,644
FRI (see Note 21)	110,934
	₱1,828,578

The goodwill from the acquisition of Pacific Online and FRI have not been subjected to the annual impairment review in 2014 pending the finalization of the purchase price allocation. The Company did not identify any impairment indicators relating to Pacific Online's and FRI's goodwill as at December 31, 2014 as it expects to realize the synergies from the business combinations.

23. Other Noncurrent Assets

This account consists of:

	2014	2013
	(In Thousands)	
Deferred input VAT	**₱711,779**	₱399,830
Guarantee bonds (see Notes 25 and 41)	**40,000**	–
Refundable deposits and construction bond	**17,930**	16,992
Others	**8,375**	–
	₱778,084	₱416,822

24. Loans Payable

Loans payable represents peso-denominated loans obtained from local banks with interest ranging from 3.8% to 5.5% in 2014 and 4.3% to 5.3% in 2013. Loans payable have historically been renewed or rolled-over.

The Parent Company availed unsecured loans from various banks amounting to ₱5,300.0 million and made principal repayments amounting to ₱2,500.5 million. The carrying amount of outstanding loans payable amounted to ₱3,000.0 million and ₱200.5 million as at December 31, 2014 and 2013, respectively.

The interest expense on loans payable charged to operations amounted to ₱75.1 million, ₱40.0 million, ₱75.2 million in 2014, 2013 and 2012 respectively (see Note 35).

Interest expense on loans payable amounting to ₱49.8 million was capitalized as part of investment properties in 2014. No interest expense was capitalized in 2013 and 2012 (see Note 18).

25. Trade and Other Current Liabilities

This account consists of:

	2014	2013
	(In Thousands)	
Trade	**₱1,694,049**	₱1,188,110
Accrued expenses	**464,883**	554,152
Deferred income	**195,001**	200,496
Payables pertaining to land acquisitions (see Note 12)	**166,074**	136,257
Advances from related parties (see Note 40)	**75,267**	77,539
Customers' deposits	**22,473**	23,559
Consultancy, software and license, and management fees payable	**17,088**	–
Refundable deposit and others	**295,505**	289,739
	₱2,930,340	₱2,469,852

- Trade payables are non-interest bearing with an average term of 90 days.

- Accrued expenses pertain to accruals for land transfer fees, selling, professional fees, management fees, interest, salaries and rent expenses, taxes, rent, utilities and professional fees which are normally settled with an average term of 30 to 90 days.

- Deferred income represents unamortized discount on refundable deposits related to lease transactions (see Notes 38 and 41).

- Payables pertaining to land acquisitions represent unpaid purchase price of land acquired from various land owners in Tagaytay City, Batangas and Cavite (see Note 12). These are noninterest-bearing and are due and demandable.

- Customers' deposits pertain to collections received from buyers for projects with pending recognition of sale.

- Consultancy, software and license fees, and management fees payable relate to the following agreements:

  a. Consultancy Agreements

     Pacific Online and its subsidiaries hired the services of several consultants for its gaming operations. Consultancy fees are based on a certain percentage of the gross amount of ticket sales of certain variants of lottery operations of PCSO. Consultancy fees amounted to ₱46.6 million in 2014 (see Note 31).

  b. Scientific Games

     On February 15, 2005, Pacific Online entered into a contract with Scientific Games, a company incorporated under the laws of the Republic of Ireland, for the supply of computer hardware and operating system software. Under the terms of the "Contract for the Supply of the Visayas-Mindanao Online Lottery System," Scientific Games will provide 900 online lottery terminals and terminal software necessary for Pacific Online's leasing operations. In consideration, Pacific Online shall pay Scientific Games a pre-agreed percentage of its revenue from PCSO's conduct of online lottery games using the computer hardware and operating system provided by Scientific Games. The Contract shall continue as long as Pacific Online's Equipment Lease Agreement (ELA) with PCSO is in effect.

On October 2, 2012, Pacific Online and Scientific Games amended the lottery terminals and terminals software agreement dated February 5, 2005 wherein Scientific Games will provide Pacific Online with a license extension for the terminal software for a period from April 1, 2013 until August 31, 2015, and for the supply of additional terminals for the 2012 Amended ELA.

Scientific Games will supply to Pacific Online approximately two thousand (2,000) additional terminals ("additional terminals") at an agreed price of US$150.00 per terminal plus a pre-agreed percentage share of gross sales generated by the additional terminals for both VISMIN and Luzon operations.

During the extension period, any additional terminals not connected to the software provided by Scientific Games will require an Inactive Terminal Fee of US$25.00 per terminal per month. Software and license fees amounted to ₱36.2 million in 2014 (see Note 31).

c. Intralot

i) On March 13, 2006, Pacific Online entered into a contract with Intralot, a company incorporated under the laws of Greece, for the supply of online lottery system necessary for the operation of a new online lottery system effective December 8, 2006. Under the terms of the "Contract for the Supply of the Visayas-Mindanao Online Lottery System," Intralot will provide Pacific Online the hardware, operating system software and terminals (collectively referred to as the "System") and the training required to operate the System. In consideration, Pacific Online shall pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery games running on the System, including without limitation, the revenue from the ELA contract or a fixed amount of US$110 per terminal per month, whichever is higher. The Contract shall continue as long as Pacific Online's ELA with PCSO is in effect.

   On July 10, 2006, Intralot entered into an agreement with Intralot Inc., a subsidiary domiciled in Atlanta, Georgia, wherein Intralot assigned to Intralot, Inc. the whole of its contract with Pacific Online, including all its rights and obligations arising from it.

   On August 16, 2012, Pacific Online and Intralot further agreed to amend the supply agreement for the latter to supply reconditioned or refurbished lotto terminals to the former. These additional terminals are ordered to enable Pacific Online to serve the requirements of PCSO in the 2012 Amended ELA. However, Pacific Online has the option to order from Intralot brand new lotto terminals at a higher price per unit. Pacific Online will pay Intralot a pre-agreed percentage of the revenue generated by the terminals from PCSO's online lottery operations in Luzon or US$110.00 per terminal whichever is higher.

   On September 6, 2013, Pacific Online and Intralot further agreed to amend the supply agreement for the latter to provide for additional terminals to enable Pacific Online to expand its online lottery operations. Furthermore, effective April 1, 2013, Pacific

Online and Intralot agreed to lower the percentage of revenues paid by the former to the latter.

Software and license fees amounted to ₱45.4 million in 2014 (see Note 31).

ii) TGTI has a contract with Intralot for the supply of online lottery system (lottery equipment) accounted for as a finance lease. TGTI is being charged a certain percentage of equipment rental from the revenue from PCSO. On July 15, 2008, the Lease Contract between TGTI and Intralot was modified such that instead of receiving monthly remuneration calculated on a percentage basis of the gross receipts of TGTI from ELA, Intralot will now receive monthly remuneration calculated on a percentage basis of the Gross Receipts of PCSO from its Online Keno games. On March 22, 2011, the Lease Contract between TGTI and Intralot was further modified to reduce the percentage charged by Intralot to TGTI and that TGTI undertakes a letter of guarantee amounting to ₱20.0 million not later than March 28, 2011 in order for TGTI to secure the payment of Intralot's remuneration. The said guarantee bond is recognized under "Other noncurrent assets" account in the 2014 consolidated statement of financial position (see Note 23).

d. Management Agreement

Pacific Online and its subsidiaries entered into a Management Agreement with AB Gaming and Leisure Exponent Specialist, Inc. ("Manager") for the latter to provide investment and management counsel and to act as manager and overseer of its operations. In consideration of the Manager's services, Pacific Online shall pay a monthly fee of ₱0.1 million and an amount equivalent to ten percent (10%) of the annual earnings before interest, taxes, depreciation, and amortization (EBITDA). Management fees amounting to ₱28.1 million in 2014 was presented as part of "Professional fees" account under "General and administrative expenses" in the 2014 consolidated statement of comprehensive income (see Note 34).

26. **Long-term Debt**

This account consists of the following:

	2014	2013
	(In Thousands)	
Loans	**₱1,750,000**	₱535,800
United States (US) Dollar floating rate notes (FRNs)	–	977,210
	1,750,000	1,513,010
Less debt issuance costs	–	10,210
	1,750,000	1,502,800
Current portion of long-term debt	**(12,500)**	(1,034,210)
Noncurrent long-term debt	**₱1,737,500**	₱468,590

FRNs
US dollar denominated borrowings of $22.0 million was translated using the exchange rate of ₱44.40 to US$1.0 at December 31, 2013 or ₱977.2 million. This borrowing is part of principal amount of US$150.0 million that was originally due in May 2002 but was extended until May 2014. These FRNs are in bearer form and are issued in denominations of approximately US$250,000, with coupons attached at the time of issue.

The following are the significant terms and features of the US$22.0 million FRNs:

Interest Payment	2% p.a. over 6-month London Interbank Offered Rate (LIBOR) payable semi-annually in arrears in May and November of each year, starting May 2003 and up to maturity.
Redemption at the Option of the Parent Company	On certain conditions provided for in the terms of the FRNs.
Repurchase	The Parent Company and any of its subsidiaries may purchase the FRNs provided that all unmatured coupons relating thereto are purchased therewith.
Reissuance	All FRNs redeemed or purchased and any unmatured coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.
Restrictions and Covenants	The Parent Company or any of its subsidiaries or any other person will not create or permit to be outstanding any security upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any relevant indebtedness or any guarantee of or indemnity in respect of any relevant indebtedness according to the FRNs equal and ratable security or without having first obtained the approval of the Noteholders by extraordinary resolution. The Parent Company also ensures that its payment obligations in respect of the FRNs rank at least pari passu with all its other unsecured obligations in respect of any indebtedness incurred by it under arrangements entered into after the date of issue of the FRNs.

Interest expense on FRNs amounted to ₱8.8 million, ₱34.0 million and ₱27.7 million in 2014, 2013 and 2012, respectively (see Note 35). In May 2014, the Parent Company fully paid the FRNs.

Loan Facilities

BDO
On December 1, 2010, the Parent Company (Borrower) obtained a loan facility in the amount of ₱5,600.0 million from BDO (Lender) for the purpose of financing the construction of entertainment and resort facilities. The first drawdown amounting to ₱570.0 million was made on April 13, 2011.

The following are the significant terms and features of the ₱5,600.0 million loan facility:

Drawdowns	The loan facility is available any time and from time to time during the period beginning on December 1, 2010 and ending on the earliest of: (i) the date occurring 2 years thereafter, (ii) the date the Commitment is fully drawn by the Borrower, or (iii) the date the Commitment is cancelled or terminated in accordance with the provisions of the OLSA. Any amount of the commitment that remains undrawn after the availability period shall be automatically cancelled. On October 29, 2012, BDO has approved the extension of availability period from December 1, 2012 to April 13, 2014, subject to the terms and conditions relating to the Availability Period remaining the same, including the requirement for the Borrower to pay all applicable commitment fees.
Repayment	The Borrower shall repay the principal of the Loan in 21 consecutive quarterly installments on each Repayment Date commencing on the 24th month from the Initial Drawdown Date.
Interest Payment	The Lender shall determine the interest rate that would apply for the relevant interest period, based on the applicable interest reference rate plus the applicable spread, and promptly give notice thereof to the Borrower and BDO – Trust and Investments Group, the Security Trustee. Interest on the unpaid principal amount of each Advance at the interest rate on each interest payment date for the interest period then ending should be paid by the Borrower.

The embedded early redemption and prepayment options are clearly and closely related to the host debt contract; thus, are not required to be bifurcated and accounted for separately in the host contract.

The Parent Company's loans payable is secured by all of its lease and project receivables, an assignment of all rights, title and interest of the Company to its existing project agreements and performance guarantee and first ranking real estate mortgage on the present and future real assets with the Lender (see Notes 18 and 20).

The carrying values of nonfinancial assets pledged as collateral for these loans in 2013 are as follows:

	Amount
	(In Thousands)
Entertainment and resort building, and hotel buildings classified under "Investment properties" (see Note 18)	₱1,817,424
Intangible asset (see Note 20)	5,261,186
Land classified under "Investment properties" (see Note 18)	824,902
	₱7,903,512

OLSA amounting to ₱535.8 million and ₱3,391.2 million were preterminated in 2014 and 2013, respectively. The Company used the proceeds from the release of Escrow fund to settle the said loans.

Debt Issuance Cost. As at December 31, 2013, loan transaction costs consisting of documentary stamp tax, professional fees and underwriting fees amounting to ₱10.2 million were capitalized and presented as deduction from the related loan balance. Amortization of debt issuance cost amounting to ₱10.2 million and ₱12.9 million in 2014 and 2013, respectively, was capitalized as part of "Investment properties" account in the consolidated statement of financial position (see Note 18).

Covenants. OLSA contains, among others, provisions regarding the maintenance of certain financial ratios such as debt service coverage ratio, debt-to-equity ratio, current ratio and maintenance of debt service reserve and accrual account (see Note 14). On the settlement date and as at December 31, 2013, the Parent Company has complied with these covenants.

On June 27, 2014, the Company has fully paid the OLSA with BDO, thus extinguishing the pledge on the nonfinancial assets mentioned above.

Maybank Philippines, Inc. (Maybank)
On June 30, 2014, Belle obtained a five-year term loan from Maybank in the amount of ₱1,000.0 million for the purpose of financing the construction of Phase 1 City of Dreams Manila. The five-year term loan shall be availed within one year from the signing of the loan agreement and bears an interest floater rate based on applicable 90-days Philippine Dealing System Treasury Reference Rate-Fixing ("PDST-F") plus spread and fixed rate based on 5-year PDST-F plus spread. During the term of the loan Belle agrees not to sell, lease, dispose any of its assets on the City of Dreams Manila without prior written consent from Maybank and comply with the following financial covenants: current ratio of 1x and debt to equity ratio of 2x. Amounts of ₱150.0 million and ₱100.0 million were drawn from the facility on August 26, 2014 and September 22, 2014, respectively.

Rizal Commercial Banking Corporation (RCBC)
On June 9, 2014, Belle obtained a five-year term loan, reckoned from the date of the initial drawdown, from RCBC in the amount of ₱1,500.0 million for the purpose of financing the construction of real estate developments projects in Tagaytay Highlands and Tagaytay Midlands area and conversion and titling costs of raw lands. The five-year term loan bears a floor rate interest 5.5% plus spread. Amounts of ₱400.0 million, ₱200.0 million ₱900.0 million were drawn on July 9, 2014, September 30, 2014 and November 12, 2014, respectively.

Covenants. The loan agreements provide certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control. As at December 31, 2014 and 2013, the Parent Company is in compliance with the terms of its loan covenants.

Repayment Schedule
The repayments of long-term debt are scheduled as follows:

	Amount
	(In Thousands)
2015	₱12,500
2016	150,000
2017	150,000
2018	150,000
2019	1,250,000
2020	37,500
	₱1,750,000

Interest expense on loans from long-term debt amounting to ₱30.5 million, ₱111.0 million and ₱156.7 million in 2014, 2013 and 2012, respectively, were capitalized as part of “Investment properties” account in the consolidated statements of financial position (see Note 18).

27. Nontrade Liability

On May 20, 2013, Belle, PLAI, BGRHC, ABLGI and LRWC entered into a Memorandum of Agreement, whereby Belle and PLAI have agreed to grant ABLGI the right to the settlement of amounts equivalent to 30% of the net lease income of the City of Dreams Manila located at Aseana Business Park in Paranaque City (the “Project”) in consideration of the waiver of ABLGI’s rights as casino operator, the termination ABLGI agreements and the grant of advances of ₱4,000.0 million (ABLGI advance) as funding for the construction of the casino integrated resort building. As at December 31, 2013, the settlement amounts of ₱283.5 million was presented as “ABLGI payments” pending finalization of the terms and repayment periods under the implementing agreement (see Note 34). The carrying value of nontrade liability amounted to ₱4,000.0 million as at December 31, 2013.

In December 2014, the implementing agreement has been executed with effectivity of terms and conditions retrospective January 1, 2014. The ₱4,000.0 million ABLGI Advance was determined as the fair value of ABLGI’s 30% share in the net lease income of the Project. Such liability shall be accreted over the lease term using implicit interest rate of 13.13% per annum. The interest component of the ABGLI Advance amounting to ₱533.3 million is recognized as “Accretion of nontrade liability” in the 2014 consolidated statement of comprehensive income. Payments made to ABLGI amounted to ₱292.0 million in 2014. The carrying value of nontrade liability amounted to ₱4,241.3 million as at December 31, 2014.

28. Equity

Capital Stock
The composition of the Company’s shares of stock follows:

	2014		2013	
	Number of Shares	**Amount**	Number of Shares	Amount
Preferred stock:				
Authorized - ₱1 par value	**6,000,000,000**	**₱6,000,000,000**	6,000,000,000	₱6,000,000,000
Issued	-	-	1,000,000,000	1,000,000,000
Common:				
Authorized - ₱1 par value	**14,000,000,000**	**₱14,000,000,000**	14,000,000,000	₱14,000,000,000
Issued	**10,559,382,799**	**10,559,382,799**	10,559,382,799	10,559,382,799

The following are the salient features of the preferred shares:

Voting rights/convertibility	Non-voting and non-convertible
Dividends	9.75% per annum, cumulative. Holders shall be entitled to receive out of the net profits or net assets of the Company available for dividends when and as declared by the BOD.
Others	All shares of preferred stock of the same class shall rank equally and be identical in all respects regardless of series unless otherwise specified by the BOD, and if shares of any one series are issued at different terms, the subsequently issued shares need not be entitled to receive dividends previously paid on the outstanding shares of such series.

As at December 31, 2013, the preferred shares are held by PLC. In 2009, PLC agreed to the renunciation of its rights to all past, present and future dividends. PLC also agreed to the revocation of the coupon rate originally provided for the preferred shares. On July 22, 2014, Belle and PLC executed a Memorandum of Agreement for the redemption of 1,000,000,000 preferred shares by Belle for a cash consideration of ₱1,000.0 million.

The following summarizes the information on the Parent Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
August 20, 1973	6,000,000,000	6,000,000,000	₱0.01
March 19, 1976	2,000,000,000	464,900,000	0.01
December 7, 1990	–	920,000,000	0.01
1990	–	833,500,000	0.01
October 19,1990	(7,000,000,000)	(8,136,216,000)	0.01
June 18, 1991	–	3,381,840	0.01
1991	–	47,435,860	1.00
1992	–	11,005,500	1.00
December 7, 1993	–	473,550,000	1.00
1993	–	95,573,400	1.00
January 24, 1994	–	100,000,000	1.00
August 3, 1994	–	2,057,948	7.00
August 3, 1994	–	960,375	10.00
June 6, 1995	–	138,257,863	1.00
February 14, 1995	1,000,000,000	–	1.00
March 8, 1995	–	312,068,408	1.00
March 17, 1995	2,000,000,000	–	1.00
March 28, 1995	–	627,068,412	1.00
July 5, 1995	–	78,060,262	1.00
September 1, 1995	–	100,000,000	1.00
March 1, 1995	–	94,857,072	1.00
September 13, 1995	–	103,423,030	1.00
1995	–	123,990,631	1.00
1996	–	386,225,990	1.00

(Forward)

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
February 21, 1997	10,000,000,000	–	₱1.00
1997	–	57,493,686	1.00
1998	–	36,325,586	1.00
March 19, 1999	–	16,600,000	1.00
April 26, 1999	–	450,000,000	1.00
April 27, 1999	–	300,000,000	1.00
1999	–	306,109,896	1.00
2000	–	2,266,666	1.00
2001	–	2,402,003,117	1.00
April 14, 2011	–	2,700,000,000	1.95
July 18, 2011	–	119,869,990	3.00
July 18, 2011	–	1,388,613,267	3.00
	14,000,000,000	10,559,382,799	

In a special meeting on November 18, 1989, the stockholders approved the increase in par value of capital stock from ₱0.01 to ₱1.00 and the decrease in the number of shares of authorized from 8.0 billion to 1.0 billion common shares. The resulting increase in par and reduction in the number of shares was approved by the Philippine Securities and Exchange Commission (SEC) on October 19, 1990.

On February 14, 1995, the SEC approved the increase in authorized capital stock from 1.0 billion shares with a par value of ₱1.00 to 2.0 billion shares with the same par value. Subsequently, on March 17, 1995, the SEC approved another increase in authorized capital stocks from 2.0 billion shares to 4.0 billion shares with the same par value.

On February 21, 1997, the SEC approved the increase in the authorized capital stock from 4.0 billion shares at a par value of ₱1.00 per share to 20.0 billion shares divided into 6.0 billion preferred shares and 14 billion common shares, both at ₱1.00 par value.

The Parent Company declared stock dividends in 1991 and 1995. The total number of shareholders of the Parent Company is 1,855 and 2,013 as at December 31, 2014 and 2013, respectively.

Cost of Parent Company Shares Held by Subsidiaries

Details of this account as at December 31, 2014 and 2013 are shown below:

	2014	2013
	(In Thousands)	
Cost of Parent Company Common and Preferred Held by Subsidiaries	**₱1,499,985**	₱2,152,792
Loss on Disposal of Parent Company Common Shares Held by Subsidiaries	**104,839**	104,839
	₱1,604,824	₱2,257,631

Parallax, SLW, PLC, Pacific Online and other subsidiaries collectively hold 400,144,441 and 336,489,747 common shares of the Parent Company as at December 31, 2014 and 2013, respectively. These are presented as “Cost of Parent Company common and preferred shares held by subsidiaries” in the consolidated statement of financial position.

Retained Earnings
The Parent Company's retained earnings available for dividend declaration, computed based on the regulatory requirements of SEC amounted to □6,378.5 million and □417.7 million as at December 31, 2014 and 2013, respectively. The difference between the consolidated retained earnings and the Parent Company's retained earnings available for dividend declaration primarily consists of undistributed earnings of subsidiaries and equity method investees. For purposes of dividend declaration, income arising from lease of buildings of City of Dreams Manila is accounted for under operating lease similar to treatment for income tax purposes (see Notes 37 and 38).

Dividends
On April 28, 2014, the Parent Company's Board of Directors ("BOD") approved the declaration of cash dividends of Two Centavos (P0.02) per share, totaling ₱211.2 million, inclusive of dividends paid to related party shareholders amounting to ₱5.4 million. The record date to determine the shareholders entitled to receive the cash dividends was set to May 13, 2014 with the payment made on June 2, 2014. No dividends on common stock were declared in 2013.

On January 27, 2015, the Parent Company's BOD approved the declaration of a special dividend of Eighteen Centavos (₱0.18) per share, totaling ₱1,900.7 million, payable on March 9, 2015 to stockholders of record as of February 10, 2015.

29. Gaming Revenue Share

PLAI started to recognize its gaming revenue share following the soft opening of the City of Dreams Manila integrated resort and casino operations on December 14, 2014. Gaming revenue share is determined as follows:

	(In Thousands)
Gaming revenue (Gross)	₱45,674
Less PAGCOR License Fee paid by Melco	(6,865)
Gaming revenue share (Net)	₱38,809

As of December 31, 2014, the gaming revenue share was recognized under "Receivables - net" in the consolidated statements of financial position. Such amount has been fully collected as of March 5, 2015.

30. Other Revenue

This account consists of:

	2014	2013	2012
		(In Thousands)	
Commission income from real estate	**₱81,578**	₱1,489	₱859
Income from forfeitures	**39,978**	10,800	13,807
Dividend income	**22,443**	–	–
Amortization of discount on trade receivables (see Note 11)	**9,954**	32,280	29,392
Penalty	**2,398**	8,720	4,070
Income from playing rights	**2,143**	3,304	4,014
Others	**3,230**	3,027	5,029
	₱161,724	₱59,620	₱57,171

Income from forfeitures represents deposits, and to a certain extent, installment payments from customers forfeited in the event of default and/or cancellations of real estate sales.

Dividend income pertains to dividends received from SM Prime Holdings Inc., an AFS financial asset.

Penalty pertains to income from surcharges for buyers' default and late payments. Income is recognized when penalty is actually collected.

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

31. Cost of Lottery Services

In 2014, this account consists of:

	Amount
	(In Thousands)
Software and license fees (see Note 25)	₱81,654
Depreciation and amortization (see Note 19)	68,643
Communication fees	63,780
Consultancy fees (see Note 25)	46,605
Operating supplies	45,339
	₱306,021

32. Cost of Real Estate and Club Shares Sold

This account consists of:

	2014	2013	2012
		(In Thousands)	
Materials and labor	**₱80,057**	₱58,301	₱58,501
Land	**29,799**	21,701	21,775
Cost of club shares sold	–	23,735	25,184
Overhead and others	**16,000**	11,652	11,692
	₱125,856	₱115,389	₱117,152

33. Cost of Services for Property Management

This account consists of:

	2014	2013	2012
		(In Thousands)	
Water services	**₱61,328**	₱16,014	₱25,589
Power and maintenance	**26,724**	44,255	47,354
	₱88,052	₱60,269	₱72,943

The cost of services for property management includes depreciation and amortization amounting to ₱8.3 million in 2014. There was no depreciation and amortization recognized under "Cost of services for property management" for 2013 and 2012.

34. General and Administrative Expenses

This account consists of:

	2014	2013	2012
		(In Thousands)	
Personnel costs (see Notes 39 and 40)	**₱194,728**	₱83,992	₱79,584
Taxes and licenses	**109,351**	33,906	18,536
Marketing and advertising (see Note 40)	**84,078**	60,240	67,626
Transportation and travel	**69,101**	4,864	4,662
Professional fees	**66,272**	22,546	15,811
Depreciation and amortization (see Notes 19 and 20)	**63,635**	34,939	30,926
Rentals and utilities (see Notes 38 and 40)	**54,708**	41,245	14,054
Representation and entertainment	**25,017**	4,636	8,504
Selling expenses	**19,741**	23,914	–
Repairs and maintenance	**13,440**	20,280	5,990
Security and janitorial	**11,751**	14,379	9,692
Registration fees	**4,237**	2,784	4,607
Communication	**1,839**	1,380	2,562
Insurance	**985**	1,070	822
ABLGI payments (see Note 27)	–	283,501	–
Others	**35,627**	8,966	12,074
	₱754,510	₱642,642	₱275,450

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

Personnel Costs

	2014	2013	2012
		(In Thousands)	
Salaries and wages	**₱170,585**	₱70,833	₱61,039
Pension costs (see Note 39)	**8,913**	5,318	4,992
Employee benefits and others	**15,230**	7,841	13,553
	₱194,728	₱83,992	₱79,584

35. **Interest Income and Interest Expense**

The sources of the Company's interest income follows:

	2014	2013	2012
		(In Thousands)	
Cash in banks (see Note 9)	**₱9,869**	₱2,024	₱719
Cash equivalents (see Note 9):			
With related banks (see Note 40)	**6,666**	10,569	81,904
With other banks	**500**	514	2,377
HTM investments (see Notes 16 and 40)	**12,944**	38,725	17,906
Escrow fund (see Notes 40 and 41)	**–**	4,112	12,083
Short-term investments	**–**	–	1,297
Others	**–**	168	167
	₱29,979	₱56,112	₱116,453

The sources of the Company's interest expense follows:

	2014	2013	2012
		(In Thousands)	
Loans payable (see Notes 24 and 40)	**₱75,078**	₱40,036	₱75,171
Finance lease obligation	**8,923**	–	–
Long-term debt (see Notes 26 and 40)	**8,841**	33,955	27,654
Assignment of receivables	**2,725**	25,653	24,097
Others	**3,156**	4,208	1,229
	₱98,723	₱103,852	₱128,151

36. **Other Income (Charges)**

This account consists of:

	2014	2013	2012
		(In Thousands)	
Share in cumulative translation adjustments of AFS financial assets (see Note 41)	**(₱58,319)**	₱–	₱–
Unrealized mark-to-market gain on investments held for trading (see Note 10)	**34,206**	–	–
Gain on sale of held-to-maturity investments (see Note 16)	**31,353**	–	–
Bank service charges	**(29,292)**	(3,799)	(11,034)
Gain on sale of investments held for trading (see Note 10)	**22,296**	–	–
Proceeds from insurance claims	**20,684**	–	–
Excess input VAT	**10,997**	–	–

(Forward)

	2014	2013	2012
		(In Thousands)	
Reversal of (provision for) allowance:			
Probable loss on other assets – net (see Note 14)	**(₱9,034)**	(₱4,418)	(₱61,692)
Doubtful accounts on trade and other receivables (see Note 11)	**(5,492)**	(352)	(2,353)
Doubtful accounts on advances to associates (see Note 15)	**(40)**	–	(10,633)
Reversal of impairment (impairment loss) on advances to related parties (see Notes 11 and 40)	**–**	4,137	(2,121)
Gain on sale of property and equipment (see Note 19)	**451**	72,026	612
Others - net	**(3,063)**	13,458	(7,843)
	₱14,747	₱81,052	(₱95,064)

37. **Income Taxes**

The provision for current income tax consists of the following:

	2014	2013	2012
		(In Thousands)	
Regular corporate income tax	**₱134,470**	₱303,870	₱916
Capital gains tax (CGT) and final tax on interest income	**26,887**	1,707	64,965
MCIT	**18,586**	–	13,273
	₱179,943	₱305,577	₱79,154

As at December 31, 2014, the Parent Company can claim the carryforward benefits of NOLCO and MCIT amounting to ₱567.4 million and ₱18.6 million, respectively, as deduction against taxable income until 2017. As at December 31, 2012, the carryforward benefit of MCIT amounting to ₱17.8 million was claimed by the Parent Company as tax credit against regular income tax in 2013. As at December 31, 2011, the carryforward benefit of NOLCO amounting to ₱20.3 million was claimed by the Parent Company as deduction against taxable income in 2012.

In 2012, provision for income tax includes CGT paid by the Company under protest for the transfer of land from Belle Bay City amounting to ₱63.2 million. The payment of CGT was made for the sole purpose of facilitating the prompt transfer of title from Belle Bay City to the Company. The Company believes that the imposition of CGT is improper because the transfer was not made in the ordinary course of business but by operation of law in lieu of the ongoing liquidation process of Belle Bay City.

As at December 31, 2014, PLC can claim the carryforward benefits of NOLCO amounting to ₱35.5 million incurred in 2014, ₱7.6 million incurred in 2013 and ₱0.1 million incurred in 2012 as deduction against taxable income until 2017, 2016 and 2015, respectively. As at December 31, 2013, PLC can claim the carryforward benefits of NOLCO amounting to ₱7.6 million incurred in 2013, ₱0.1 million incurred in 2012 and ₱0.1 million incurred in 2011 as deduction against taxable income until 2016, 2015 and 2014, respectively. PLC's NOLCO amounting to ₱0.1 million and ₱0.1 million had expired in 2014 and 2013, respectively.

For the year ended December 31, 2014, PLAI elected to use Optional Standard Deduction in computing its taxable income.

As at December 31, 2014, LotoPac can claim the carryforward benefits of NOLCO amounting to ₱0.1 million incurred in 2013 and ₱0.1 million incurred in 2012 as deduction against taxable income until 2016 and 2015, respectively.

The components of deferred tax assets as at December 31, 2014 are as follows:

	Amount
	(In Thousands)
Accrued expenses	₱25,995
Unamortized past service costs	5,727
Pension liability	5,321
Allowance for impairment losses on trade and other receivables	1,811
Unrealized foreign exchange loss	651
Others	1,729
	₱41,234

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

	2014	2013
	(In Thousands)	
Deferred tax assets:		
Construction cost	**₱1,692,294**	₱1,330,354
Estimated liability on construction costs	**310,508**	674,270
NOLCO	**170,205**	–
Nontrade liability	**72,377**	–
Deferred lease income	**30,519**	32,168
MCIT	**18,586**	–
Accrued selling expenses	**18,057**	16,104
Discount on trade receivables	**16,979**	15,113
Unrealized profit on sale of club shares to associates	**9,327**	9,327
Unamortized past service costs	**1,523**	1,720
Accretion of refundable deposits	**1,054**	1,107
Accrued rent	**739**	746
Net unrealized foreign exchange loss and others	**14,587**	157,719
	2,356,755	2,238,628
Deferred tax liabilities:		
Finance lease receivable	**(2,876,848)**	(2,925,664)
Accumulated depreciation	**(71,808)**	(29,841)
Capitalized interest expense	**(57,393)**	(33,307)
Accrued rent	**(47,746)**	(22,338)
Unrealized gain on sale of real estate	**(38,555)**	(6,274)
Unaccreted discount on refundable deposits	**(31,733)**	(32,726)
Capitalized rent expense	**(26,936)**	(18,214)
Unrealized gain on AFS financial asset	**(9,735)**	(1,222)
Deferred lease expense	**(946)**	(1,021)
Deferred income on real estate sales	**(797)**	(797)
Pension asset	**(331)**	(3,754)
Unrealized foreign exchange gain - net	**(156)**	–
	(3,162,984)	(3,075,158)
Net deferred tax liability	**(₱806,229)**	(₱836,530)

The components of the Company's temporary differences as at December 31, 2014 and 2013 for which deferred tax assets were not recognized follows:

	2014	2013
	(In Thousands)	
Allowances for:		
Impairment of project development costs	**₱2,136,820**	₱2,136,820
Probable losses	**214,073**	208,718
Impairment in value of property and equipment	**186,303**	186,303
Doubtful accounts	**16,487**	16,487
	₱2,553,683	₱2,548,328

The deferred tax assets of the above temporary differences amounting to ₱766.1 million and ₱764.5 million as at December 31, 2014 and 2013, respectively, were not recognized since management believes that it is not probable that taxable income will be available against which the deferred tax assets can be utilized.

For income tax purposes, lease of the building structures is accounted for under operating lease (see Note 38).

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

	2014	2013	2012
		(In Thousands)	
Income tax at statutory income tax rate of 30%	**₱807,043**	₱1,490,914	₱214,143
Income tax effects of:			
Nontaxable income	**(744,753)**	(223,256)	(135,219)
Nondeductible expenses and others	**41,030**	11,942	47,606
Income subjected to capital gains tax	**26,887**	1,707	1,716
MCIT	**18,586**	–	–
Mark-to-market gain on securities	**(9,912)**	–	–
Income subjected to final tax	**(7,018)**	(16,781)	(34,886)
Change in unrecognized deferred tax assets	**1,606**	69,003	1,537
Capital gains tax paid under protest	**–**	–	63,249
	₱133,469	₱1,333,529	₱158,146

Philippine Economic Zone Authority (PEZA)

In 2010, the Company's pre-qualification clearance from PEZA in relation with its efforts to secure a Tourism Economic Zone status for a portion of its flagship project, Tagaytay Highlands, has been approved. However, as at March 6, 2015, this approval has not yet been issued with a Presidential Proclamation.

On October 11, 2012, Presidential Proclamation No. 491 has been issued creating and designating eleven parcels of land with an aggregate area of approximately 69,510 square meters located at Aseana Business Park, Paranaque City, as Tourism Economic Zone. Consequently, on November 27, 2012, the Parent Company received its Certificate of Registration from PEZA as the developer of the City of Dreams Manila. The Company shall not be entitled to PEZA incentives.

38. **Lease Commitments**

Company as a Lessor

Lease Agreements with ABLGI

On January 14, 2011, the Parent Company, as a lessor, entered into an operating lease agreement with ABLGI for the lease of land allocable to Belle as part of its share in the remaining liquidating assets of Belle Bay City. The leased premises shall commence upon the execution of the lease agreement and shall expire 10 years after the commencement date of the lease period (earlier between the soft opening date and turnover date) for the integrated resort complex. During the construction period, from the date of execution of the lease agreement to the casino building lease commencement date, the lessee shall pay a nominal monthly rental of ₱30.25 per square meter which is equivalent to 25% of the base rate of ₱121 per square meter and ₱121 per square meter after the casino building lease commencement date to December 31, 2012. In 2012, Belle and ABLGI have agreed to the restructuring of the lease agreements to enable the entry of Melco Crown Entertainment Limited (Melco). The lease agreement with ABLGI was formally terminated on March 13, 2013.

Rent income recognized by the Company from these lease agreements with ABLGI amounted to ₱18.4 million under "Lease income" in the 2012 consolidated statement of comprehensive income.

Lease Agreement with MCE Leisure (Philippines) Corporation (MCE Leisure)

On October 25, 2012, the Parent Company, as a lessor, entered into a lease agreement with MCE Leisure for the lease of land and building structures to be used in the City of Dreams Manila project ("the Project"). The lease period is co-terminus with the operating agreement between the Company and MCE Leisure which is effective on March 13, 2013 until the expiration of the License on July 11, 2033.

Finance Lease

The Company made an assessment at inception of the lease and recorded the lease of the building structures under a finance lease and the lease of the land under an operating lease.

The Company recognized a finance lease receivable equivalent to the net investment in the lease. The implicit interest rate on the finance lease was 15.75% per annum at inception of the lease. Gain on finance lease was recognized for the excess of net investment over the construction cost of the building structures amounting to ₱2,324.4 million in 2013. The lease payments made by the lessee are split into an interest component and a principal component using the effective interest method. The lease receivable is reduced by the principal received. The interest component of the payments is recognized as "Interest income on finance lease" in the consolidated statement of comprehensive income.

In 2014, MCE Leisure and the Parent Company agreed to modify the cash flows. This resulted to the recognition of an ₱812.8 million loss on finance lease recognized in the Company's 2014 consolidated statement of comprehensive income.

As at December 31, 2014 and 2013, the nominal amount of minimum lease payments and the carrying value of finance lease receivable are as follows:

	2014	2013
	(In Thousands)	
Within one year	**₱774,531**	₱1,008,410
In more than one year and not more than five years	**5,157,185**	4,900,436
In more than five years	**29,020,448**	31,693,570
	34,952,164	37,602,416
Unearned finance income	**(25,362,672)**	(27,850,204)
Net investment (present value of the minimum lease payments)	**9,589,492**	9,752,212
Current portion of receivables under finance lease	**722,745**	942,911
Noncurrent portion of receivables under finance lease	**₱8,866,747**	₱8,809,301

Operating Lease
The Parent Company recognized lease income on the lease of land by MCE Leisure amounting to ₱188.8 million, ₱157.1 million and ₱18.4 million in 2014, 2013 and 2012, respectively. The trade receivable carried under the "Receivables - net" account in the consolidated statements of financial position amounted to ₱239.5 million and ₱94.1 million as at December 31, 2014 and 2013, respectively.

As at December 31, 2014 and 2013, the minimum lease payments of the Parent Company on the lease on the land are as follows:

	2014	2013
	(In Thousands)	
Within one year	**₱104,727**	₱97,874
In more than one year and not more than five years	**520,069**	475,644
In more than five years	**2,927,084**	3,076,236
	₱3,551,880	₱3,649,754

Lease Agreements with PCSO
Pacific Online leases to PCSO its online lottery equipment and accessories for a period of 2 years and 4 months until July 31, 2015 as provided in the 2013 Amended ELA. Rental payment is based on certain percentage of gross amount of lotto ticket sales from the operation of all PCSO's lotto terminals or a fixed annual rental of ₱35,000 per terminal in commercial operation, whichever is higher. Rental income amounting to ₱574.7 million in 2014 is recorded under "Equipment rental and instant scratch ticket sales" in the 2014 consolidated statement of comprehensive income. The minimum rental income for 2015 is ₱82.4 million.

TGTI leases to PCSO online KENO games for a period of 10 years from the time the ELA will run in commercial operations. Rental payment is based on certain percentage of gross amount of Online KENO games from the operation of all PCSO's terminals or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. Rental income amounting to ₱254.0 million in 2014 is recorded under "Equipment rental and instant scratch ticket sales" in the 2014 consolidated statement of comprehensive income. Future minimum rental income for the remaining lease terms are as follows:

	Amount
	(In Thousands)
Within one year	₱50,640
After one year but not more than five years	240,540

Company as a Lessee

Finance Lease
Lottery Equipment. The contracts for the supply of online lottery system entered into by Pacific Online with Scientific Games and Intralot and by TGTI with Intralot contain a lease which is accounted for as finance lease. These related equipment are included as part of "Lottery equipment" under "Property and equipment" account in the consolidated statement of financial position with carrying amount of ₱123.3 million as at December 31, 2014:

Future minimum lease payments under these finance leases together with the present value of the minimum lease payments as of December 31, 2014 are as follows:

	Amount
	(In Thousands)
Within one year	₱16,356
After one year but not more than five years	76,494
Total future minimum lease payments	92,850
Less amount representing interest	–
Present value of lease payments	92,850
Less current portion of obligations under finance lease	16,356
Noncurrent portion of obligations under finance lease	₱76,494

The contracts of Pacific Online remain effective until July 31, 2015, the expiration date of the ELA. Payment to Scientific Games is based on a pre-agreed percentage of Pacific Online's revenue from PCSO's conduct of online lottery games running under the system provided by Scientific Games. Payment to Intralot is based on a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery games running on the System, including without limitation, the revenue from the ELA contract or a fixed amount of US$110 per terminal per month, whichever is higher. Payments to Scientific Games and Intralot include the non-lease elements which are presented as "Software and license fees" account under "Cost of lottery services" in the 2014 statement of comprehensive income.

The contract of TGTI with Intralot commenced upon the commercial operation of 200 outlets and remains effective for 10 years until September 30, 2020. Payment to Intralot is based on a pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery games running on the System.

Pacific Online initially recognized the finance lease liability based on the fair value of the equipment or the sales price since the minimum lease payments cannot be established, as the monthly payment varies depending on the revenue generated by the leased equipment.

Transportation Equipment. Pacific Online and LCC has finance leases covering its transportation equipment subject to a two-year term until April 2015. Future minimum lease payments under these finance leases together with the present value of the minimum lease payments as of December 31, 2014 are as follows:

	Amount
	(In Thousands)
Within one year	₱928
After one year but not more than five years	198
Total future minimum lease payments	1,126
Less amount representing interest	–
Present value of lease payments	1,126
Less current portion of installment payable	928
Noncurrent portion of installment payable	₱198

<u>Other Operating Lease Agreements</u>
The Parent Company entered into a lease agreement for a parcel of land situated in Aseana Business Park, Parañaque City. The 20,218 square meter land area lease shall be for a period of 10 years commencing on April 23, 2010, inclusive of two years construction period. Rental payments are subject to escalation as stated in the agreement. The contract may be renewed or extended by written agreement of the parties and upon such terms and conditions that are mutually acceptable to them. The Parent Company also paid ₱4.4 million refundable deposit which formed part of "Other noncurrent assets - others" in the consolidated statement of financial position (see Note 23). On April 15, 2012, the parties agreed to extend the lease term for an additional 15 years ending on April 22, 2035.

As at December 31, 2014 and 2013, the operating lease cost amounting to ₱29.1 million and ₱27.3 million were capitalized to leasehold improvements as the Company has started construction of the integrated resort.

The Company entered into an operating lease agreement with SM Land, Inc., a related party, covering its new office space (see Note 40). The lease shall be for a period of 5 years commencing on August 1, 2012. Rental payments are subject to annual escalation adjustments. Total rent expense charged to operations relating to this transaction amounted to ₱10.5 million in 2014 and 2013 and ₱6.8 million in 2012. (see Note 34). The Company also paid ₱2.4 million refundable deposit which is included as part of "Other assets" account in the consolidated statement of financial position (see Note 23).

The Company also has several operating lease arrangements on parking lots, machineries, office and transportation equipment. Total rent expense charged to operations relating to these lease agreements amounted to ₱1.2 million, ₱1.1 million, and ₱1.6 million in 2014, 2013, and 2012 respectively (see Note 34).

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

	2014	2013
	(In Thousands)	
Within one year	**₱41,780**	₱39,404
After one year but not more than five years	**161,232**	164,593
After more than five years	**897,588**	936,007
	₱1,100,600	₱1,140,004

39. **Pension Costs**

The Parent Company and certain of its subsidiaries have funded, noncontributory defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. Costs are determined in accordance with the actuarial study, the latest of which is dated December 31, 2014.

PLC is covered under Republic Act No. 7641 which provides a defined benefit minimum guarantee for its qualified employees.

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

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

	2014	2013	2012
		(In Thousands)	
Current service cost	**₱11,114**	₱5,578	₱5,239
Interest cost on defined benefit obligation	**3,279**	3,900	3,459
Interest income on plan assets	**(5,535)**	(4,166)	(3,719)
Interest on the effect of asset ceiling	**55**	6	13
	₱8,913	₱5,318	₱4,992

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

	2014	2013	2012
		(In Thousands)	
Actuarial (gain) loss on defined benefit obligation	**₱24,343**	(₱4,455)	(₱1,320)
Remeasurement gain on plan assets	**(50)**	(2,439)	(320)
Remeasurement (gain) loss on changes in the effect of the asset ceiling	**(1,115)**	1,014	214
	₱23,178	(₱5,880)	(₱1,426)

Pension Asset

	2014	2013
	(In Thousands)	
Fair value of plan assets	**₱75,845**	₱75,908
Defined benefit obligation	**(74,679)**	(62,270)
Funded status - surplus	**1,166**	13,638
Effect of asset ceiling	**(63)**	(1,123)
	₱1,103	₱12,515

Pension Liability

	2014
	(In Thousands)
Defined benefit obligation	₱70,638
Fair value of plan assets	(51,851)
	₱18,787

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

	2014	2013
	(In Thousands)	
Balance at beginning of the year	**₱62,270**	₱62,493
Acquisition of a subsidiary accounted under acquisition method	**47,421**	–
Interest cost	**3,279**	3,900
Current service cost	**11,114**	5,578
Benefits paid from plan assets	**(3,110)**	(5,246)
Actuarial loss (gain) due to:		
Experience adjustments	**9,778**	(6,561)
Actuarial gain on changes in financial assumptions	**14,872**	2,106
Actuarial gain on changes in demographic assumptions	**(307)**	–
Balance at end of the year	**₱145,317**	₱62,270

Changes in the FVPA are as follows:

	2014	2013
	(In Thousands)	
Balance at the beginning of the year	**₱75,908**	₱64,239
Acquisition of a subsidiary accounted under acquisition method	**34,313**	–
Interest income	**5,535**	4,166
Contributions	**15,000**	10,310
Benefits paid	**(3,110)**	(5,246)
Return on plan assets (excluding amounts included in net interest)	**50**	2,439
Balance at end of the year	**₱127,696**	₱75,908

	2014	2013
	(In Thousands)	
Funded (Unfunded) status - net	**(₱17,621)**	₱13,638
Pension liability	**18,787**	–
Funded status - surplus	**1,166**	13,638
Effect of asset ceiling	**(63)**	(1,123)
Pension asset	**₱1,103**	₱12,515

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

	2014	2013
Discount rates	**5.73%**	4.89%
Future salary increases	**10.00%**	6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	2014		2013	
	Increase (Decrease) in Basis Points	**Amount**	Increase (Decrease) in Basis Points	Amount
		(In Thousands)		*(In Thousands)*
Discount rate	**100**	**(₱1,848)**	100	(₱1,717)
	(100)	**2,031**	(100)	101,925
Salary increase rate	**100**	**1,484**	100	1,259
	(100)	**(1,374)**	(100)	(1,180)

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

Year	Amount
	(In Thousands)
2015	₱18,584
2016	19,360
2017	5,876
2018	13,484
2019-2054	1,381,136

The principal assumptions used in determining pension benefit obligations for Pacific Online and its subsidiaries' plans are shown below:

	Pacific Online	LCC	TGTI
Discount rates	4.49%	4.61%	5.15%
Future salary increases	8.00%	5.00%	10.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	1 Percent Increase	1 Percent Decrease
Discount rate	(₱5,545)	₱8,186
Salary increase rate	6,685	(5,008)

AS at December 31, 2014, the weighted average duration of the pension liability of Pacific Online, LCC and TGTI is 16.1 years to 24.6 years

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

Year	Pacific Online	LCC	TGTI	Total
2015	₱4,319	₱1,835	₱–	₱6,154
2016	2,290	–	1,071	3,361
2017	–	–	305	305
2018	109	–	799	109
2019	3,254	331	–	3,585
2020–2024	14,622	214	2,785	17,621

There are no expected contributions to the defined benefit pension plan in 2015.

Assumptions for mortality rates are based on The 2001 CSO Table – Generational (Scale AA, Society of Actuaries). Assumptions for disability rates are based on The Disability Study, Period 2 Benefit 5 (Society of Actuaries).

Parent Company Retirement Plan

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

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

	2014	2013
Investments in fixed income securities	**43%**	66%
Investments in unit investment trust funds	**33%**	15%
Others	**24%**	19%
	100%	100%

The Parent Company's retirement fund is in the form of a trust being maintained by a trustee bank.

The carrying value and fair value of the fund amounted to ₱75.9 million as at December 31, 2014. The fund's assets are comprised of: (i) cash in bank; (ii) investment in treasury bonds of government securities, equity securities of private corporations, mutual funds and unit investment trust funds and (iii) loans and receivables from individuals.

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

Pacific Online Retirement Plan

Pacific Online and LCC have funded, noncontributory defined benefit plans covering substantially all of its regular employees. The defined benefit plan of TGTI is unfunded as at December 31, 2014. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2013. Valuations are obtained on a periodic basis.

The retirement plans of LCC and TGTI provide a retirement benefit equal to 22.5 days pay for every year of credited service, while the plan of the Parent Company provides a retirement benefit equal to one-half month salary for every year of credited service.

All of the Plans meet the minimum retirement benefit specified under Republic Act 7641.

Pacific Online and LCC are not required to pre-fund the future defined benefits payable under the retirement plans before they become due. For this reason, the amount and timing of contributions to the retirement fund are at the Companies' discretion. However, in the event a benefit claim arises and the retirement fund is insufficient to pay the claim, the shortfall will then be due and payable from Pacific Online to the retirement fund. TGTI does not have a formal retirement plan, thus benefit claims under the defined benefit plans are paid directly by TGTI when they become due.

The retirement plans of Pacific Online are administered by a trustee bank under the supervision of a Retirement Plan Trustee (Trustee), as appointed by the Companies in the Trust Agreement. The Trustee is responsible for the investment strategy of the retirement plans.

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

	2014	2013
Investments in unit investment trust funds	**48%**	42%
Investments in fixed income securities	**26%**	36%
Others	**26%**	22%
	100%	100%

All debt instruments and unit investment trust funds have quoted prices in active markets.

The carrying amounts of plan assets approximate the fair values as at December 31, 2014 and 2013.

40. **Related Party Transactions**

Related parties are enterprises and individuals that has the ability to control directly, or indirectly through one or more intermediaries or are controlled by, or under common control with the Company, including holding companies, and subsidiaries, or exercise significant influence over the other party in making financial and operating decisions. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

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

<u>Other Transactions with Associates and Related Companies</u>
The Company has the following significant related party transactions with associates and other related parties:

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance	Terms	Condition
				(In Thousands)			
APC	Associate	Advances to associate	**2014**	**₱62**	**₱3,754,630**	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱79,452 in 2014 and 2013
			2013	15	3,754,568		
Belle Jai Alai	Associate	Advances to associate	**2014**	–	**29,398**	Noninterest-bearing, due and demandable	Unsecured, no allowance
			2013	–	29,398		
Highlands Prime	Associate	Advances to associate	**2014**	**(1,936)**	–	Noninterest-bearing, due and demandable	Unsecured, no allowance
			2013	–	1,936		
		Advances from associate	**2014**	**129**	**129**	Noninterest-bearing, due and demandable	Unsecured
		Commission income (Note 30)	**2014**	**891**	**–**		Not applicable
			2013	–	–		
			2012	302	–		
WDC	Associate	Advances to associate	**2014**	**–**	**54,334**	Noninterest-bearing, due and demandable	Unsecured, fully provided in 2014 and 2013
			2013	–	54,334		
Others	Associate	Advances to associates	**2014**	**–**	**11,486**	Noninterest-bearing, due and demandable	Unsecured, fully provided in 2014, partially provided amounting to ₱11,447 in 2013
			2012	–	**11,486**		
Tagaytay Highlands	With common set of directors	Advances to other related parties	**2014**	**10,687**	**12,774**	Noninterest-bearing, due and demandable	Unsecured, no allowance
			2013	(363,696)	2,087		
Country Club	With common set of directors	Advances to other related parties	**2014**	**499**	**2,871**	Noninterest-bearing, due and demandable	Unsecured, no allowance
			2013	(91,568)	2,372		
Others	With common set of directors	Advances to other related parties	**2014**	**3,191**	**18,775**	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱7,494 in 2014 and ₱6,374 in 2013
			2013	17,311	15,854		
TMGCI	With common set of directors	Advances from other related parties	**2014**	**(2,259)**	–	Noninterest-bearing, due and demandable	Unsecured
			2013	(72,608)	2,259		
Belle Jai-Alai	Associate	Advances from associate	**2014**	**–**	**60,753**	Noninterest-bearing, due and demandable	Unsecured
			2013	–	60,753		
Tagaytay Highlands	With common set of directors	Advances from other related parties	**2014**	**(13)**	**10,849**	Noninterest-bearing, due and demandable	Unsecured
			2013	–	10,862		
Pacific Online	Associate in 2013	Advances from associate	**2014**	**–**	–	Noninterest-bearing, due and demandable	Unsecured
			2013	(10,016)	–		
Others	Associates	Advances from other related parties	**2014**	**–**	–	Noninterest-bearing, due and demandable	Unsecured
			2013	–	3,707		
BDO	With common stockholders	Cash equivalents	**2014**	**1,219,727**	**2,429,914**	Interest-bearing	Unsecured, not impaired
			2013	(1,111,120)	1,210,187		
		Interest income on cash equivalents (see Notes 9 and 35)	**2014**	**6,666**	–	3.14% to 4.56%	Unsecured, not impaired
			2013	10,569	–	3.14% to 4.56%	
			2012	81,904	–	3.87% to 4.56%	
		Receivables purchase agreement (see Note 11)	**2014**	**–**	–	Interest-bearing	Unsecured
			2013	242,429	–		

(Forward)

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance	Terms	Condition
				(In Thousands)			
		Escrow fund (see Note 41)	**2014** 2013	**₱–** (2,064,450)	**₱–** –	Interest bearing	Unsecured, not impaired
		Interest income on escrow fund (see Notes 35 and 41)	**2014** 2013 2012	**–** 4,112 12,083	**–** – –	0.62%–0.75%	Unsecured, not impaired
		Short-term loans (see Note 24)	**2014** 2013	**–** (1,668,000)	**–** –	Interest-bearing	Secured
		Interest expense on short-term loans, gross of capitalized interest (see Notes 24 and 35)	**2014** 2013 2012	**19,156** 40,036 78,072	**–** – –	2,85% to 3.25% 4.25% to 5.12% 4.50% to 7.00%	Secured
		Trade and other current liabilities	**2014** 2013	**61,523** –	**(28,025)** (89,529)	Interest-bearing	Secured
		Long-term debt (see Note 26)	**2014** 2013	**(535,800)** (3,391,200)	**–** 535,800	Interest-bearing	Secured
		Interest expense on long-term debt (see Notes 18 and 35)	**2014** 2013 2012	**10,210** 25,653 156,667	**–** – –	3.75%–6.58% 3.75%–6.58% –	Secured
SM Land, Inc.	With common stockholders	Operating lease (see Note 31)	**2014** 2013 2012	**10,482** 10,535 6,063	**2,463** 3,337 2,824	5 years, renewable	Not applicable
		Service fee	2013	**12,500**	**–**	1 year, renewable	Not applicable
SM Arena Complex Corporation	With common stockholders	Sponsorship agreement (see Note 33)	**2014** 2013 2013	**17,822** 20,073 11,594	**–** – –	5 years	Not applicable
SMIC	Stockholder	HTM investments (see Note 16)	**2014** 2013	**(750,000)** 750,000	**–** 750,000	Interest-bearing, maturing in 7 and 10 years	Not applicable
		Interest income on HTM investments (see Notes 16 and 35)	**2014** 2013 2012	**12,944** 38,725 17,906	**–** – –	6.00%–6.94%	Not applicable
Belle shares Holdings, Inc.	Stockholders	Receivables	**2014** 2013	**(31,891)** 31,891	**–** 31,891	Interest-free	Unsecured, interest-free
Directors and officers	Key management personnel	Receivables (see Note 11)	**2014** 2013	**–** (10,845)	**1,138** 1,138	Interest-free	Unsecured, interest-free, partially provided amounting to ₱688
		Short-term employee benefits	**2014** 2013 2012	**61,907** 37,221 31,422	**–** – –	Not applicable	Not applicable
		Post-employment benefits	**2014** 2013 2012	**5,478** 3,964 3,964	**–** – –	Not applicable	Not applicable

The following table provides the summary of outstanding balances and transactions for the years ended December 2014, 2013, and 2012 in relation with the table above for the transactions that have been entered into with related parties:

Total Related Party Outstanding Balances before any Allowance for Impairment

	2014	2013
Cash equivalents	**₱1,219,727**	₱2,429,914
Receivables	**1,138**	33,029
Advances to associates (see Note 15)	**3,849,848**	3,851,722
Advances to other related parties (see Note 11)	**34,420**	20,313
HTM investments	–	750,000
Advances from associates	**60,882**	60,753
Advances from other related parties	**10,849**	–
Operating lease payable	**2,463**	3,337
Assignment of receivables with recourse	**28,025**	89,529
Long-term debt	–	535,800

Total Related Party Transactions

	2014	2013	2012
Commission income	**₱891**	₱–	₱302
Interest income on cash equivalents	**6,666**	10,569	81,904
Interest income on escrow fund	–	4,112	12,083
Interest income on HTM investments	**12,944**	38,725	17,906
Service fee	–	12,500	–
Interest expense on short-term loans	**19,156**	40,036	78,072
Interest expense on long-term debt	**10,210**	25,653	156,667
Short-term employee benefits	**51,313**	37,221	31,422
Post-employment benefits	–	3,964	3,964
Receivables Purchase Agreement	–	242,429	–
Sponsorship agreement	**17,822**	20,073	11,594

Allowance provided on advances to associates charged to “Investments in and Advances to Associates” amounted to ₱145.3 million and ₱145.2 million as at December 31, 2014 and 2013, respectively (see Note 15).

Allowance for doubtful accounts of advances to related parties amounted to ₱7.5 million and ₱8.7 million as at December 31, 2014 and 2013, respectively (see Note 11). Provision for doubtful accounts on advances to related parties amounted to ₱4.1 million in 2013 (see Note 36). In 2012, the Company reversed allowance for impairment loss of ₱2.1 million.

Transactions with other related parties are as follows:

- On May 12, 2012, the Parent Company entered into an operating lease agreement with SM Land, Inc. covering its new office space (see Note 38).

- The Company entered into a sponsorship agreement with SM Arena Complex Corporation (SMACC) for 5 years commencing on May 21, 2012. The Company is charged for a sponsorship fee of ₱95.0 million payable in 5 equal installments of ₱19.0 million annually. In return, SMACC shall grant the Company marketing and promotional entitlements in the MOA Arena during the sponsorship period.

- The Parent Company entered into a service agreement with PLAI in 2012, wherein PLAI shall provide technical advisory support services relating to the operation, direction, management and supervision of the City of Dreams Manila project. Project management fee charged by PLAI to the Parent Company amounted to ₱7.5 million, ₱8.0 million and ₱25.0 million in 2014 2013 and 2012, respectively, and was eliminated in the consolidated statement of comprehensive income.

- The Parent Company entered into a service agreement with PLAI in 2014, wherein the Parent Company shall provide PLAI with end to end support with respect to the operation of its casino license from PAGCOR. Service fee charged by the Parent Company amounted to ₱7.5 million and was eliminated in the 2014 consolidated statement of comprehensive income.

- The Parent Company entered into a service agreement with SM Land, Inc. in 2013, wherein SM Land shall perform specific services relative to the operations and personnel of the Parent Company's land and buildings. Service fee charged by SM Land to the Parent Company amounted to ₱12.5 million recognized under "General and administrative expenses" as part of repairs and maintenance in the 2013 consolidated statement of comprehensive income.

41. Significant Contracts

Investment Commitment with PAGCOR

In October 2012, the Company, together with PLAI (Phil. Parties) and MCE Leisure Philippines and its two other related companies (MCE Parties) have been granted the license to operate an integrated entertainment complex in Aseana Boulevard, Paranaque City which will now be known as "City of Dreams Manila". Under the Provisional License granted to the group, the parties are committed to invest a minimum of US $1 billion ("Investment Commitment") into the Project. Under the PAGCOR Guidelines, of the US$1.0 billion, US$650.0 million shall be invested upon the opening of the casino and the other US$350.0 million shall be invested within a period of three (3) years from the commencement of the casino operations. The Investment Commitment shall be composed of the value of the land and the development costs of the infrastructures and facilities within the Project.

The other salient provisions of the License are: (i) creation of an escrow account where the funds to be used exclusively for the Project are expected to flow through but with a maintaining balance of US$50.0 million and is separately shown as the "Escrow Fund" account in the 2012 consolidated statement of financial position; (ii) issuance of performance bond of US$100.0 million to guarantee the completion of the project; and (iii) issuance of surety bond of US$100.0 million to guarantee the payment to PAGCOR of all fees payable under the License granted by PAGCOR.

As at December 31, 2012, the Escrow Fund was being maintained with a balance of US$50.3 million. Interest income earned on the Escrow Fund amounted to ₱4.1 million and ₱12.1 million in 2013 and 2012, respectively (see Note 35). In May 2013, the Escrow was terminated as MCE Leisure (Philippines) Corporation ("MCE Leisure") deposited its own Escrow Fund to replace that of the Company. Thus, the balance of the Company's Escrow Fund amounted to nil as of December 31, 2013 and 2014.

Cooperation Agreement with MELCO

On October 25, 2012, the Company together with PLAI ("Philippine Parties"), formally entered into a Cooperation Agreement with Melco, a company listed in the Hong Kong Stock Exchange, which governs their cooperation in the development and operation of the City of Dreams Manila.

The Cooperation Agreement places the Company as a co-licensee and the owner of the site's land and buildings, while MELCO will be a co-licensee and operator of all the facilities within the resort complex.

In March 2013, MELCO paid the Company the amount of ₱949.6 million which represents various costs MELCO agreed to absorb as one of the conditions of the Philippine Parties in including the MCE Parties as co-licensees under the Project. This amount was recorded as termination income in the consolidated statement of comprehensive income for the year ended December 31, 2013.

Operating Agreement with MELCO
On March 13, 2013, the Company, together with Belle, entered into an Operating Agreement with MCE Holdings No. 2 (Philippines) Corporation, MCE Holdings (Philippines) Corporation and Melco. Under the terms of the Operating Agreement, Melco was appointed as the sole and exclusive operator and manager of the casino development Project.

The Operating Agreement shall be in full force and effect for the period of the PAGCOR License, unless terminated earlier in accordance with the agreements among the parties.

Pursuant to this agreement, PLAI shares from the performance of the casino gaming operations.

Advisory Services by AB Leisure Global, Inc. (ABLGI)
ABLGI agreed to act in an advisory capacity to the Company and Belle subject to certain limitations for a consideration equivalent to percentage of the Company's income from gaming revenue share.

Professional fee amounting to ₱7.1 million in 2014 was presented as part of "Professional fees" account under "General and administrative expenses" in the 2014 consolidated statement of comprehensive income (see Note 34).

Share Swap Agreement
In 1997, PLC together with the Parent Company (then a 32% shareholder) entered into a Swap Agreement with Paxell Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as "Metroplex") whereby PLC issued 3,870,000,000 of its common shares in exchange for 46,381,600 shares of LIR-HK, a Hong Kong-based company, which is a subsidiary of Metroplex.

On August 23, 2001, a Memorandum of Agreement (MOA) was entered into by and among the Parent Company, Sinophil, Metroplex and LIR-HK rescinding the Swap Agreement and cancelling all obligations stated therein and reversing all the transactions as well as returning all the objects thereof in the following manner:

a. Metroplex shall surrender the certificates of PLC shares held by them in relation to the Swap Agreement. Belle shall then cause the reduction of the capital stock of Sinophil to the extent constituting the PLC shares of stock surrendered by Metroplex and the cancellation and delisting of such shares from the PSE.

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

In view of such definite plan to rescind the Swap Agreement through the MOA or other means, PLC discontinued using the equity method in accounting for its investment in LIR-HK starting from LIR-HK's fiscal year beginning February 1, 1999.

On February 18, 2002, the stockholders approved the cancellation of 3,870,000,000 shares held by Metroplex. However, Metroplex failed to deliver the stock certificates for cancellation covering the 2,000,000,000 shares of their total shareholdings. PLC again presented to its stockholders the reduction of its authorized capital stock to the extent of 1,870,000,000 shares, which were already delivered by Metroplex. On June 3, 2005, the stockholders approved the cancellation and delisting of the 1,870,000,000 shares. On March 28, 2006, the SEC formally approved the Company's application for the capital reduction and cancellation of the 1,870,000,000 PLC shares. The application to delist the said shares was also approved by the PSE.

As a result of the cancellation of the shares, investment in LIR-HK was reduced by ₱2,807.8 million in 2006. The corresponding decrease in capital stock and additional paid-in capital, and share in cumulative translation adjustments of an associate amounted to ₱1,870.0 million, ₱1,046.9 million and ₱109.1 million, respectively.

In 2007, the PLC acquired LIR-HK's loan from Union Bank of the Philippines which was secured by the 1,000,000,000 shares of PLC held by Metroplex for a total consideration of ₱81.6 million. Upon acquisition, an application for capital reduction and cancellation of 1,000,000,000 PLC shares was filed with the SEC after obtaining stockholders' approval.

On June 24, 2008, upon obtaining the approval of the SEC, the 1,000,000,000 PLC shares in the name of Metroplex were cancelled. As a result, investment in LIR-HK was reduced by ₱1,501.5 million in 2008. The corresponding decrease in capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively. In 2009, PLC applied with the SEC for further decrease of its authorized capital stock for 1,000,000,000 shares. This application was approved on July 9, 2009 by the SEC. However, PLC did not effect such decrease in authorized capital stock as these cannot be surrendered for cancellation.

In 2009, Metroplex filed before the Court of Appeals (CA) to review the Order of the SEC denying their petition to nullify the approval of the reduction of the capital stock of the Parent Company. Petition was elevated to the Supreme Court (SC) after the CA sustained the SEC ruling. As at March 6, 2015, the SC has yet to resolve this petition. The deal was scuttled when the remaining 1,000,000,000 undelivered PLC shares (hereinafter referred to as the "Shares") are being held by another creditor, Evanston Asset Holdings Pte. Ltd ("Evanston"), as collateral for loans obtained by Metroplex. Metroplex was previously negotiating for the release of such pledge to be able to carry out the terms of the MOA. However, during 2012, PLC was informed by Evanston that they had undertaken foreclosure proceedings on the Shares. While Evanston has stated willingness to negotiate with PLC towards the transfer of the Shares, there is no assurance that PLC will be able to acquire the Shares from Evanston. Thus, PLC recognized full impairment loss of ₱1,559.8 million on its investment in LIR-HK in view of the then uncertainty of implementing the MOA rescinding the Swap Agreement.

Notwithstanding the foregoing, cognizant of the fact that whoever had possession of the Shares would be dispossessed of its property by reason of the approval of the decrease in capital which implies the cancellation of said shares, PLC exerted earnest efforts to have the SEC revoke its approval of the third decrease in capital. However, SEC continued to deny any petition on the following grounds:

(i) the documents submitted by appellant in support of its application for the decrease of capital stock, were all complete and regular on its face;
(ii) there was no allegation of fraud, actual or constructive, nor misrepresentation in its application for decrease of authorized capital stock.

On June 30, 2013, PLC filed a Memorandum of Appeal with the SEC to appeal the denial of the petition.

On April 22, 2014, PLC filed with the SEC a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013 and proceeded to effect the cancellation of the shares and compensated the parties who were in possession of the remaining 1,000,000,000 PLC shares.

The investments in LIR-HK of PLC were recorded under "Available-for-sale financial assets" and are fully impaired as at December 31, 2012 in PLC's books. In 2013, the Parent Company started to consolidate PLC after the Parent Company acquired controlling interest in PLC. The acquisition was accounted for using the pooling of interest method and accordingly, the impaired value of the AFS financial asset has started to be carried in the Company's consolidated accounts (see Notes 17 and 21). In 2014, the Company recognized reversal of a provision for impairment of its investment in Legend International Resorts (HK) Limited ("LIR"), net of costs of implementing the MOA rescinding the Swap Agreement and the cancellation of said Shares of ₱340.7 million, amounting to ₱1,219.1 million following the cancellation of the 1,000,000,000 Sinophil shares formerly held by Metroplex, thereby fulfilling the agreement entered into by and among Belle, PLC, Metroplex and LIR in rescinding the Swap Agreement, cancelling all obligations and reversing all transactions stated therein (the "Full LIR Unwinding"). The cancellation also resulted in the recognition of ₱58.3 million share in cumulative translation adjustments of AFS financial asset in profit or loss (see Note 36).

As a result of the cancellation of the PLC shares, the Company reduced the carrying amount of its non-controlling interest by ₱257.2 million with a corresponding adjustment to "Other reserves – Transactions with non-controlling interests" amounting to ₱962.0 million.

Agreements with PCSO

Instant Scratch Tickets. On March 25, 2009, Pacific Online entered into a non-exclusive Memorandum of Agreement (MOA) with PCSO, for a period of seven years, effective December 1, 2009 to undertake the printing, distribution and sale of scratch tickets. The MOA requires a cash bond to be deposited in an interest-bearing bank account designated by PCSO to guarantee the payment of all prizes for each series of tickets distributed, subject to review by PCSO, which was paid in January 2010, for a period of seven years from the date of initial launch of the instant tickets and shall be maintained co-terminus with this MOA. The ₱20.0 million cash bond is recognized under "Other noncurrent assets" account in the consolidated statement of financial position (see Note 23).

42. **Contingencies**

In the normal course of business, there are certain tax cases and legal cases related to labor disputes and land ownership issues filed against the Company.

The PLC is a party to a civil case filed by Metroplex before the CA to review the February 26, 2009 Order of the SEC denying the Metroplex petition to nullify the approval of the reduction of the capital stock of the Parent Company (see Note 2). The CA sustained the ruling of the SEC, thus Metroplex filed a petition for review with the SC. As at March 6, 2015, the Supreme Court has yet to resolve this petition.

However, as discussed in Note 41, the cancellation of the Swap Agreement was implemented following the Company's filing to the SEC of a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013.

43. Basic/Diluted EPS

	2014	2013	2012
		(In Thousands, Except EPS)	
Earnings attributable to Equity holders of the Parent (a)	**₱2,202,253**	₱3,639,853	₱555,720
Weighted average number of issued common shares – basic, at beginning of year	**10,559,383**	10,559,383	8,533,118
Number of parent company common shares held by subsidiaries – basic, at beginning of year	**(336,490)**	(236,502)	(214,963)
Issued during the year	**–**	–	1,817,969
Acquisition of entities holding parent common shares	**(35,773)**	(69,033)	(10,770)
Weighted average number of issued common shares - basic, at end of year (b)	**10,187,120**	10,253,848	10,125,354
Basic/diluted EPS (a/b)	**₱0.216**	₱0.355	₱0.055

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

44. Financial Assets and Financial Liabilities

Financial Risk Management Objectives and Policies

The Company's principal financial assets and financial liabilities are composed of cash and cash equivalents, receivables, investments held for trading, HTM investments, AFS financial assets, trade and other current liabilities, loans payables, long-term debt, nontrade liability, installment payable, obligations under finance lease and assignment of receivables with recourse. The main purpose of these financial assets and financial liabilities is to raise finances for the Company's operations. The Company has various other financial assets and financial liabilities such as receivables, advances to associates and other related parties and trade and other liabilities, which arise directly from its real estate operations.

The main risks arising from the Company's financial assets and financial liabilities are interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk. The Company's BOD and management review and agree on the policies for managing each of these risks and these are summarized below.

Interest Rate Risk. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial assets and financial liabilities. The Company's exposure to interest rate risk relates primarily to the Company's long-term debt which are subject to cash flow interest rate risk. Re-pricing of FRNs is done every six months while re-pricing of long-term debt is normally done every three months.

The Company's policy is to manage its interest cost by limiting its borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's consolidated income before income tax in 2014 and 2013. There is no other impact on the Company's equity other than those already affecting the profit or loss in the consolidated statement of comprehensive income.

	2014		2013	
	Increase in Basis Points	**Decrease in Basis Points**	Increase in Basis Points	Decrease in Basis Points
	(In Thousands, Except Change in Basis Points)			
Change in basis points*	**+2**	**-2**	+22	-22
Effect on income before income tax	**(₱-)**	**(₱-)**	(₱2,093)	₱2,093

**Average movement in LIBOR interest rates for the past five years.*

Foreign Currency Risk. Foreign currency risk is the risk that the fair value or future cash flows of financial asset or financial liability will fluctuate due to changes in foreign exchange rates.

As at December 31, 2014 and 2013, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	2014	2013
	(In Thousands)	
Consultancy and software license fee payable*	**$691**	$–
FRNs	–	(22,012)
Foreign currency-denominated financial assets (liabilities)	**($691)**	($22,012)

**Presented under "Trade and other current liabilities" account in the consolidated statements of financial position.*

In translating the foreign currency-denominated financial liabilities into peso amounts, the exchange rate used was ₱44.72 to US$1.0 and ₱44.40 to US$1.0, the Philippine peso to US dollar exchange rates as at December 31, 2014.

It is the Company's policy to ensure that capabilities exist for active but conservative management of its foreign currency risk. The Company seeks to mitigate its transactional currency exposure by maintaining its costs at consistently low levels, regardless of any upward or downward movement in the foreign currency exchange rate.

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rates, with all other variables held constant, of the Company's consolidated income before tax as at December 31, 2014 and 2013. There is no other impact on the Company's equity other than those already affecting the profit or loss in the consolidated statement of comprehensive income.

	2014		2013	
	Increase in US$ Rate	**Decrease in US$ Rate**	Increase in US$ Rate	Decrease in US$ Rate
	(In Thousands, Except Change in US$ Rate)			
Change in US$ rate*	**1.48**	**(1.48)**	3.13	(3.13)
Effect on income before income tax	**(₱2,039)**	**₱2,039**	(₱68,787)	₱68,787

**Average movement of U.S. dollar against Philippine peso for the past five years.*

The increase in US$ rate means stronger US dollar against peso while the decrease in US$ means stronger peso against the US dollar.

Equity Price Risk. Equity price risk is the risk that the fair value of quoted investments held for trading decreases as a result of changes in the value of individual stock. The Company's exposure to equity price risk relates primarily to the Company's investments held for trading. The Company monitors the equity investments based on market expectations. Significant movements within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the BOD.

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Company's 2014 consolidated income before income tax:

Increase (Decrease) in Equity Price	Effect on Consolidated Net Income
	(In Thousands)
5%	₱47,526
(5%)	(₱47,526)

Credit Risk. Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The Company does not offer credit terms without the specific approval of the management. There is no significant concentration of credit risk.

In the Company's real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments/deposits made by the customer in favor of the Company and retain ownership of the property. The Company has the right to sell, assign or transfer to third party and any interest under sales contract, including its related receivables from the customers. The Company's primary target customers are high-income individuals and top corporations, in the Philippines and overseas. These measures minimize the credit risk exposure or any margin loss from possible default in the payments of installments.

Trade receivables from sale of real estate units are secured with pre-completed property units. The legal title and ownership of these units will only be transferred to the customers upon full payment of the contract price. Receivables from sale of club shares are secured by the shares held by the Company. For other receivables, since the Company trades only with recognized third parties, there is no requirement for collateral.

With respect to credit risk arising from the financial assets of the Company, which comprise of cash and cash equivalents, short-term investments, receivables, finance lease receivables, advances to associates and other related parties and AFS financial assets, deposits, guarantee bonds and held-to-maturity investments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these financial assets.

The table below shows the Company's aging analysis of financial assets.

	2014						
	Neither Past Due nor Impaired	Past Due but not Impaired: Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
				(In Thousands)			
Cash and cash equivalents*	**₱6,319,136**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱6,319,136**
Receivables:							
Trade	**1,076,173**	**4,739**	**3,807**	**9,202**	**123,713**	**1,794**	**1,219,428**
Related parties	**26,926**	**–**	**–**	**–**	**–**	**7,494**	**34,420**
Others	**230,351**	**–**	**–**	**–**	**–**	**122,769**	**353,120**
Finance lease receivable	**9,589,492**	**–**	**–**	**–**	**–**	**–**	**9,589,492**
Advances to associates - net of subscription payable**	**174,849**	**–**	**–**	**–**	**–**	**145,273**	**320,122**
Investments held for trading	**262,815**	**–**	**–**	**–**	**–**	**–**	**262,815**
AFS financial assets	**1,887,379**	**–**	**–**	**–**	**–**	**–**	**1,887,379**
Deposits***	**8,165**	**–**	**–**	**–**	**–**	**–**	**8,165**
Guarantee bonds****	**40,000**	**–**	**–**	**–**	**–**	**–**	**40,000**
	₱19,615,286	**₱4,739**	**₱3,807**	**₱9,202**	**₱123,713**	**₱277,330**	**₱20,034,077**

**Excluding cash on hand.*
***Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*
****Presented under "Other current assets" account in the consolidated statement of financial position.*
*****Presented under "Other noncurrent assets" account in the consolidated statement of financial position.*

	2013						
	Neither Past Due nor Impaired	Past Due but not Impaired: Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
				(In Thousands)			
Cash and cash equivalents*	₱1,020,396	₱–	₱–	₱–	₱–	₱–	₱1,020,396
Receivables:							
Trade**	716,838	3,897	3,910	13,292	113,104	5,773	856,814
Related parties	11,657	–	–	–	–	8,656	20,313
Others	230,226	–	–	–	–	123,576	353,802
Finance lease receivable	9,752,212	–	–	–	–	–	9,752,212
Advances to associates - net of subscription payable***	176,723	–	–	–	–	145,233	321,956
HTM investments	750,000	–	–	–	–	–	750,000
AFS financial assets	1,773,793	–	–	–	–	1,598,616	3,372,409
	₱14,431,845	₱3,897	₱3,910	₱13,292	₱113,104	₱1,881,854	₱16,447,902

**Excluding cash on hand.*
***Excluding non-financial trade receivables amounting to ₱129.5 million.*
****Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*

Financial assets are considered past due when collections are not received on due date.

Past due accounts which pertain to trade receivables from sale of real estate units and club shares are recoverable since the legal title and ownership of the real estate units and club shares will only be transferred to the customers upon full payment of the contract price.

The table below shows the credit quality of the Company's financial assets that are neither past due nor impaired based on historical experience with the corresponding third parties.

	2014			
	High Grade	**Medium Grade**	**Unrated**	**Total**
		(In Thousands)		
Cash and cash equivalents*	**₱6,319,136**	**₱–**	**₱–**	**₱6,319,136**
Receivables:				
Trade	**1,099,544**	**18,699**	**99,391**	**1,217,634**
Related parties	**26,926**	**–**	**–**	**26,926**
Others	**230,351**	**–**	**–**	**230,351**
Finance lease receivable	**9,589,492**	**–**	**–**	**9,589,492**
Advances to associates - net of subscription payable**	**174,849**	**–**	**–**	**174,849**
Investments held for trading	**262,815**	**–**	**–**	**262,815**
AFS financial assets	**1,879,730**	**–**	**7,649**	**1,887,379**
Deposits***	**–**	**8,165**	**–**	**8,165**
Guarantee bonds****	**40,000**	**–**	**–**	**40,000**
	₱19,622,843	**₱26,864**	**₱107,040**	**₱19,756,747**

**Excluding cash on hand.*
***Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*
****Presented under "Other current assets" account in the consolidated statement of financial position.*
*****Presented under "Other noncurrent assets" account in the consolidated statement of financial position.*

	2013			
	High Grade	Medium Grade	Unrated	Total
		(In Thousands)		
Cash and cash equivalents*	₱1,020,396	₱–	₱–	₱1,020,396
Receivables:				
Trade**	945,162	–	–	945,162
Related parties	11,657	–	–	11,657
Others	136,105	–	–	136,105
Finance lease receivable	9,752,212			9,752,212
Advances to associates - net of subscription payable***	176,723	–	–	176,723
HTM investments	750,000	–	–	750,000
AFS financial assets	1,708,635	–	65,158	1,773,793
	₱14,500,890	₱–	₱65,158	₱14,566,048

**Excluding cash on hand.*
***Excluding non-financial trade receivables amounting to ₱129.5 million.*
****Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*

High grade financial assets pertain to receivables from clients or customers who have no history of delayed payment while medium grade includes receivables from clients or customers who have history of delayed payment but is currently updated.

Cash in banks, cash equivalents and short-term investments are deposited with the top ten banks in the Philippines; hence, considered high grade.

Unquoted AFS financial assets are unrated while quoted HTM investments and AFS financial assets are assessed as high grade based on financial status of the counterparty and its current stock price performance in the market.

Liquidity Risk. Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company seeks to manage its liquidity profile to be able to finance its capital expenditures and service its maturing debts. The Company's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information. The Company considers obtaining borrowings as the need arises.

The following table summarizes the maturity profile of the Company's financial assets and financial liabilities as at December 31, 2014 and 2013 based on contractual undiscounted cash flows. The table also analyzes the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments and liquidity.

	2014					
	On Demand	**< 6 Months**	**6 Months to 1 Year**	**1–3 Years**	**> 3 Years**	**Total**
			(In Thousands)			
Financial Assets						
Cash and cash equivalents	**₱6,319,136**	**₱–**	**₱–**	**₱–**	**₱–**	**₱6,319,136**
Receivables	**891,725**	**129,717**	**129,717**	**254,908**	**41,434**	**1,447,501**
Finance lease receivable	**–**	**375,266**	**399,265**	**3,678,149**	**30,499,484**	**34,952,164**
Advances to associates - net of subscription payable*	**174,849**	**–**	**–**	**–**	**–**	**174,849**
Investments held for trading	**262,815**	**–**	**–**	**–**	**–**	**262,815**
AFS financial assets	**1,887,379**	**–**	**–**	**–**	**–**	**1,887,379**
Deposits**	**8,165**	**–**	**–**	**–**	**–**	**8,165**
Guarantee bonds***	**40,000**	**–**	**–**	**–**	**–**	**40,000**
	₱9,584,069	**₱504,983**	**₱528,982**	**₱3,933,057**	**₱30,540,918**	**₱45,092,009**
Financial Liabilities						
Loans payable***	**₱–**	**₱2,966,760**	**₱–**	**₱–**	**₱–**	**₱2,966,760**
Trade and other current liabilities*****	**2,812,822**	**–**	**–**	**49,143**	**–**	**2,861,965**
Long-term debt***	**–**	**54,159**	**174,769**	**631,406**	**1,283,422**	**2,143,756**
Nontrade liability	**–**	**141,855**	**149,919**	**1,362,802**	**12,295,179**	**13,949,755**
Installment payable	**792**	**50**	**87**	**198**	**–**	**1,127**
Obligations under finance lease	**4,089**	**4,089**	**8,178**	**24,534**	**51,960**	**92,850**
Assignment of receivables with recourse***	**–**	**28,026**	**–**	**–**	**–**	**28,026**
	₱2,817,703	**₱3,194,939**	**₱332,953**	**₱2,068,083**	**₱13,630,561**	**₱22,044,239**

**Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*
***Presented under "Other current assets" account in the consolidated statement of financial position.*
****Presented under "Other noncurrent assets" account in the consolidated statement of financial position.*
*****Including future interest payments.*
******Excluding customers' deposits, statutory payables and other liabilities to the government.*

	2013					
	On Demand	< 6 Months	6 Months to 1 Year	1–3 Years	> 3 Years	Total
			(In Thousands)			
Financial Assets						
Cash and cash equivalents	₱1,170,396	₱–	₱–	₱–	₱–	₱1,170,396
Receivables*	286,427	98,048	122,566	312,220	137,935	957,196
Finance lease receivable	–	504,205	504,205	2,233,505	34,360,501	37,602,416
Advances to associates - net of subscription payable**	176,723	–	–	–	–	176,723
HTM investments	750,000	–	–	–	–	750,000
AFS financial assets	1,773,793	–	–	–	–	1,773,793
	₱4,157,339	₱602,253	₱626,771	₱2,545,725	₱34,498,436	₱42,430,524

	2013					
	On Demand	< 6 Months	6 Months to 1 Year	1–3 Years	> 3 Years	Total
Financial Liabilities						
Loans payable***	₱–	₱201,310	₱85	₱–	₱–	₱201,395
Trade and other current liabilities****	2,429,441	–	–	–	–	2,429,441
Long-term debt***	–	1,018,760	44,984	220,306	305,607	1,589,657
Nontrade liability	–	–	–	–	4,000,000	4,000,000
Assignment of receivables with recourse***	–	933	7,229	2,189	–	10,351
	₱2,429,441	₱1,221,003	₱52,298	₱222,495	₱4,305,607	₱8,230,844

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

The Company expects to settle its maturing obligations on long-term debt from its gaming revenues from casino operations, rental income on land and casino building (see Note 38) and expected profits from real estate development operations.

Capital Management
The primary objective of the Company's capital management is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2014 and 2013.

The Company considers the following as its capital:

	2014	2013
	(In Thousands)	
Preferred stock	**₱–**	₱1,000,000
Common stock	**10,559,383**	10,559,383
Additional paid-in capital	**5,503,731**	5,503,731
Equity share in cost of Parent Company shares held by associates	**(2,501)**	(2,501)
Cost of Parent Company preferred and common shares held by subsidiaries	**(1,604,824)**	(2,257,631)
Retained earnings	**6,530,078**	4,533,666
	₱20,985,867	₱19,336,648

Fair Value of Financial Assets and Financial Liabilities

Set out below is a comparison by category and by class of carrying values and fair values of all the Company's financial assets and financial liabilities:

	2014				
	Carrying Value	**Total**	**Quoted (Unadjusted) Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
			(In Thousands)		
Assets					
Assets measured at fair value -					
Investments held for trading	**₱262,815**	**₱262,815**	**₱262,815**	**₱–**	**₱–**
AFS financial assets (quoted)	**1,879,730**	**1,879,730**	**1,879,730**	**–**	**–**
Assets for which fair value is disclosed:					
Loans and receivables:					
Receivables:					
Trade	**625,164**	**689,485**	**–**	**689,485**	**–**
Finance lease receivable	**9,589,492**	**9,589,492**	**–**	**–**	**9,589,492**
Liabilities					
Liabilities for which fair value is disclosed:					
Nontrade liability	**4,241,256**	**4,241,256**	**–**	**–**	**4,241,256**
Long-term debt	**1,750,000**	**1,408,364**	**–**	**1,408,364**	**–**
Obligations under finance lease	**92,850**	**92,850**	**–**	**92,850**	**–**

	2013				
	Carrying Value	Total	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(In Thousands)		
Assets					
Assets measured at fair value -					
AFS financial assets (quoted)	₱1,619,455	₱1,619,455	₱1,619,455	₱–	₱–
Assets for which fair value is disclosed:					
Loans and receivables:					
Receivables:					
Trade	892,143	858,213	–	858,213	–
Finance lease receivable	9,752,212	9,752,212	–	–	9,752,212
HTM investments	750,000	787,078	–	787,078	–
Liabilities					
Liabilities for which fair value is disclosed:					
Nontrade liability	4,000,000	4,000,000	–	–	4,000,000
Long-term debt	1,502,800	1,417,169	–	–	1,417,169

The Company has no financial liabilities measured at fair value as at December 31, 2014 and 2013. There were no transfers between fair value measurements in 2014 and 2013.

The following methods and assumptions are used to estimate the fair value of each class of financial assets and financial liabilities:

Cash and Cash Equivalents, Short-term Investments, Advances to Associates, Receivables, Loans Payable and Trade and Other Current Liabilities. The carrying values of these financial assets approximate their fair values due to the relatively short-term maturities of these financial assets and financial liabilities.

Trade Receivables. The fair value of trade receivables from real estate sales, except for receivables assigned with recourse, is determined by discounting the estimated cash flows using prevailing interest rates as at reporting dates. The discount rates used ranged from 1.0% to 5.9% in 2014 and 1.0% to 4.8% in 2013.

For receivables with recourse, the fair value of these instruments is determined by discounting the expected future cash flows using the discount rates ranging from 3.5% to 5.0% in 2013.

The carrying amount of other trade receivables approximates their fair values due to their short-term nature.

Finance Lease Receivables. The fair value of finance lease receivable is determined by discounting the estimated cash flows using prevailing interest rate of 15.8% in 2014 and 2013.

Investments Held for Trading, HTM Investments and AFS Financial Assets. The fair values of investments held for trading, HTM investments in quoted debt securities and AFS financial assets in quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date. There are no quoted market prices for the unlisted shares and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

Nontrade Liability. The fair value of nontrade liability is determined by discounting estimated cash flows using effective interest rate of 13.1% in 2014.

Long-term Debt. The fair value of US FRNs and long-term loans payable is determined by discounting the obligations' expected future cash flows using the discount rate of nil and 5.3% to 5.7%, respectively, in 2014 and 2.4% and 10.8% to 11.1%, respectively, in 2013.

Installment Payable and Obligations under Finance Lease. The fair value of installment payable and obligations under finance lease with fixed interest rate is based on the discounted net present value of cash flows using the prevailing MART 1 rates ranging from 0.78% to 4.14% in 2013.

45. Supplemental Disclosure of Cash Flow Information and Others

The significant noncash transactions entered into by the Company in 2014 are as follows:

	Amount *(In Thousands)*
Acquisition on controlling interest – reduction in investment account	(₱2,464,016)
Cancellation of the share swap agreement between PLC and LIR	1,219,133

The Company has reclassified finance lease receivable and certain receivables aggregating to ₱1,413.5 million from noncurrent to current assets as well as certain other assets from current to noncurrent assets amounting to ₱403.7 million as at December 31, 2013 to properly reflect the classification of the assets. The reclassifications did not affect the total assets.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Belle Corporation and Subsidiaries as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated March 6, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel

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

March 6, 2015

Belle Corporation and Subsidiaries
Index to Supplementary Schedules
Form 17-A, Item 7
As at December 31, 2014

Supplementary Schedules

A. Financial Assets

B. Amounts of receivables from Directors, Officers, Employees and Principal Stockholders (other than related parties)

C. Amounts of Receivables from Related Parties which are Eliminated during the Consolidation of Financial Statements.

D. Intangible Assets - Other Assets

E. Long-term Debt

F. Indebtedness to Related Parties

G. Guarantees of Securities of Other Issuers

H. Capital Stock

I. Reconciliation of Retained Earnings Available for Dividend Declaration

J. Key Financial Ratios

Belle Corporation and Subsidiaries
Schedule A - Financial Assets
As at December 31, 2014
(Amounts in Thousands)

	Name of Issuing Entity and Association of each use	Amount shown in the Balance Sheet	Income received and accrued
Loans and Receivables			
Cash in banks and cash equivalents	N/A	6,319,136	1,671
Trade receivables	N/A	1,217,634	24,468
Related parties	N/A	26,926	
Accrued interest	N/A	1,671	
Advances to third parties and others	N/A	228,680	
Advances to associates	N/A	174,849	
Finance Lease Receivable	MCE Leisure	9,589,492	
		17,558,388	26,139
AFS Financial Assets			
Equity Investments	SM Prime Holdings	1,858,641	
Equity Investments	SM Investments Corporation	21,076	
Equity Investments	Highland Gourmet	2,000	
Equity Investments	The Country Club at Tagaytay Highlands	1,880	
Equity Investments	Costa Del Hamilo	757	
Equity Investments	PLDT	13	
Equity Investments	Others	3,012	
		1,887,379	-
Investments Held for Trading			
Equity Investments	APC Group, Inc.	41,813	
Equity Investments	DFNN, Inc.	84,822	
Equity Investments	Leisure & Resorts World Corporation	62,262	
Equity Investments	Vantage Equities, Inc.	73,348	
Equity Investments	ISM Communications Corp.	411	
Equity Investments	PLDT	160	
		262,815	-
HTM Investments			
Debt investments	SM Investment Corporation	-	-
Total Financial Assets		19,708,582	26,139

Belle Corporation and Subsidiaries
Schedule B - Amounts of Receivables from Directors, Officers, Employees and Principal Stockholders
As at December 31, 2014
(Amounts in Thousands)

Name and Designation of the Debtor	Balance at the Beginning of the Year	Additions	Amounts Collected	Amounts Provided with Allowance	Amounts Written Off	Current	Not Current	Balance at the end of the period
Principal stockholder	31,891	-	(31,886)	-	-	5	-	5
Employees	2,042	4,511	-	-	-	2,469	-	2,469
Officers	3,064	-	(1,828)	-	-	1,236	-	1,236
Directors	450	-	-	-	-	-	450	450
	37,447	4,511	(33,714)	-	-	3,710	450	4,160

Belle Corporation and Subsidiaries
Schedule C. Amounts of Receivables from Related Parties
As at December 31, 2014
(Amounts in Thousands)

Name of Subsidiary	Balance at January 1, 2014	Additions	Amounts Collected	Amounts Provided with Allowance	Reclassification	Current	Not current	Balance at December 31, 2014	Amount Eliminated
Belle Bay Plaza Corporation	763	-	-	-	-	763	-	763	763
Belle Grande Resource Holdings Inc.	15,682	6,576	-	-	-	22,258	-	22,258	22,258
Premium Leisure Corporation	179,011	-	(174,014)	-	-	4,997	-	4,997	4,997
SLW Development Corp.	410,208	-	(311,475)	-	-	98,733	-	98,733	98,733
Parallax Resources, Inc.	705,881	-	(705,881)	-	-	-	-	-	-
	1,311,545	6,576	(1,191,370)	-	-	126,751	-	126,751	126,751

Belle Corporation and Subsidiaries

Schedule D. Intangible Assets

As at December 31, 2014

(Amounts in Thousands)

Description	Beginning Balance	Additions at Cost	Charged to cost and expenses	Charged to other Accounts	Other Changes and Additions	Ending Balance
License - Casino	5,261,186	-	(11,634)	-	-	5,249,552
Goodwill - Acquisition of Subsidiaries	-	-	-	-	1,828,578	1,828,578
	5,261,186	-	(11,634)	-	1,828,578	7,078,130

Belle Corporation and Subsidiaries
Schedule E. Long Term Debt
As at December 31, 2014
(Amounts in Thousands)

Title of Issue and Type of Obligation	Amount Authorized by Indenture		Balance at December 31, 2014		Current Portion of Long Term Debt		Non Current Portion of Long Term Debt		Interest Rate	Amount and Number of Periodic Payments			Maturity Date
	(In Original Currency)	(In PhP)	(In Original Currency)	(In PhP)	(In Original Currency)	(In PhP)	(In Original Currency)	(In PhP)		(In Original Currency)	(Approx in PhP)	Periodic Payments	
Term Loans:													
Maybank Php1B	Php1,000,000	1,000,000	Php250,000	250,000	Php37,500	37,500	Php212,500	212,500	5.25%	Php12,500	12,500	20 quarterly installments	November 2020
RCBC Php1.5B	Php1,500,000	1,500,000	Php1,500,000	1,500,000	Php-	-	Php1,500,000	1,500,000	5.51% - 5.71%	Php100,000	100,000	3 annual installments and the remaining amount on due date	June 30, 2019

Belle Corporation and Subsidiaries
Schedule F. Indebtedness to Related Parties
As at December 31, 2014

Name of Related Parties	Balance at January 1, 2014	Additions	Amounts Paid	Current	Not current	Balance at December 31, 2014
Banco de Oro	535,800		535,800	-	-	-

Belle Corporation and Subsidiaries
Schedule G. Guarantees of Securities of Other Issuers
As at December 31, 2014
(Amounts in Thousands)

Name of Issuing Entity of Securities Guaranteed by the Company for which this statement is filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which the Statement is Filed	Nature of Guarantee
Not Applicable				

Belle Corporation and Subsidiaries
H. Capital Stock
As at December 31, 2014

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Subscribed	Number of Shares reserved for stock rights	Number of Shares Held by Related Parties	Number of Shares Held by Directors and Key Executive Officers	Others
Common Stocks	14,000,000,000	10,559,382,799	-	-	5,711,244,686	159,885,816	4,688,252,297
Percentage Held					54.09%	1.51%	44.40%
Preferred Shares	6,000,000,000	-	-	-	-	-	-
Percentage Held					-	-	-

Belle Corporation and Subsidiaries
Schedule J. Key Financial Ratios
As at December 31, 2014 and 2013

		2014	2013
Asset-to-equity Ratio	Total assets over stockholders equity	**1.51 : 1.00**	1.56 : 1.00
Current or Liquidity Ratio	Current assets over current liabilties	**1.99 : 1.00**	1.71 : 1.00
Debt-to-equity Ratio	Interest-bearing debt over stockholders equity	**0.17 : 1.00**	0.29 : 1.00
Net debt-to-equity Ratio	Interest-bearing debt less cash and cash equivalents, HTM investments and escrow fund over stockholders equity	**(0.06) : 1.00**	0.19 : 1.00
Interest Rate Coverage Ratio	Earnings Before Interest and Taxes over interest expense	**13.68 : 1.00**	17.39 : 1.00
Return on Assets	Net income over average total assets during the period	**7.0%**	12.7%
Return on Equity	Net income over average equity during the period	**10.6%**	19.7%

Belle Corporation
Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2014
(Amounts in Thousands)

Unappropriated Retained Earnings as at December 31, 2013		**417,747**
Net income based on the face of 2014 audited financial statements, as reported		6,590,557
Less: Non actual/unrealized income net of tax		
Finance lease receivable adjustments:		
Interest income on finance lease receivable	(1,409,173)	
Loss on finance lease receivable	812,842	
Actual cash receipts on finance lease	784,830	
Depreciation of investment property under finance lease	(158,635)	29,864
Reversal of provision for probable losses		(608,324)
Nontrade liability adjustments:		
Accretion of nontrade liability	533,348	
Payments of nontrade liability	(292,092)	241,256
Unrealized foreign exchange gain on short-term investments		(103)
Deferred tax on nontrade liability		(72,377)
Deferred tax on finance lease adjustments		(8,959)
		(418,643)
Net income actually earned during the period, as adjusted		**6,171,914**
Dividend declarations during the year		**(211,188)**
Unappropriated retained earnings as adjusted to available for dividend declaration, at end of year		**6,378,473**

BELLE CORPORATION AND SUBSIDIARIES
Schedule of all the Effective Standards and Interpretations
December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		**Adopted**	**Not Adopted**	**Not Applicable**	**Not Early Adopted**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics					
PFRSs Practice Statement Management Commentary					
Philippine Financial Reporting Standards					
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓			
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		✓	
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		✓	
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		✓	
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		✓	
	Amendments to PFRS 1: Government Loans	✓		✓	
	Annual Improvements to PFRSs (2011-2013) cycle: PFRS 1 – First-time Adoption of International Financial Reporting Standards – Meaning of “Effective PFRSs”	✓		✓	
PFRS 2	Share-based Payment	✓		✓	
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		✓	
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		✓	
	Annual Improvements to PFRSs (2010-2012) cycle: PFRS 2 – Share-based Payment – Definition of Vesting Condition	✓		✓	
PFRS 3 (Revised)	Business Combinations	✓			
	Annual Improvements to PFRSs (2010-2012) cycle: PFRS 3- Business Combination – Accounting for Contingent Consideration in a Business Combination	✓			
	Annual Improvements to PFRSs (2011-2013) cycle: PFRS 3- Business Combination – Scope Exceptions for Joint Arrangements*				✓
PFRS 4	Insurance Contracts	✓		✓	
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Annual Improvements to PFRSs (2012-2014) cycle: PFRS 5 – Non-current Assets held for Sale and Discontinued Operations – Changes in Methods of Disposal*				✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		✓	
PFRS 7	Financial Instruments: Disclosures	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓			
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓			
	Annual Improvements to PFRSs (2012-2014) cycle: PFRS 7 – Financial Instruments – Disclosures – Servicing Contracts *				✓
	Annual Improvements to PFRSs (2012-2014) cycle: PFRS 7 – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*			✓	✓
PFRS 8	Operating Segments	✓			
	Annual Improvements to PFRSs (2010-2012) cycle: PFRS 8 – Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of Reportable Segments' Assets to the Entity's Assets*				✓
PFRS 9	Financial Instruments (2014 version)*				✓
PFRS 10	Consolidated Financial Statements	✓			
	Amendments to PFRS 10: Consolidated Financial Statements – Investment Entities	✓			
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*				✓
PFRS 11	Joint Arrangements	✓			
	Amendments to PFRS 11: Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*				✓
PFRS 12	Disclosure of Interests in Other Entities	✓			
	Amendments to PFRS 12: Disclosure of Interest in Other Entities – Investment Entities	✓			
PFRS 13	Fair Value Measurement	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Annual Improvements to PFRSs (2010-2012) cycle: PFRS 13 – Fair Value Measurement – Short-term Receivables and Payables	✓			
	Annual Improvements to PFRSs (2011-2013) cycle: PFRS 13 – Fair Value Measurement – Portfolio Exception*				✓
PFRS 14	Regulatory Deferral Accounts			✓	✓
Philippine Accounting Standards					
PAS 1 (Revised)	Presentation of Financial Statements	✓			
	Amendment to PAS 1: Capital Disclosures	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		✓	
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓			
PAS 2	Inventories	✓			
PAS 7	Statement of Cash Flows	✓			
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓			
PAS 10	Events after the Reporting Period	✓			
PAS 11	Construction Contracts	✓		✓	
PAS 12	Income Taxes	✓			
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓			
PAS 16	Property, Plant and Equipment	✓			
	Annual Improvements to PFRSs (2010-2012) cycle: PAS 16 – Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*				✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation*				✓
	Amendments to PAS 16: Bearer Plants*			✓	✓
PAS 17	Leases	✓			
PAS 18	Revenue	✓			
PAS 19 (Revised)	Employee Benefits	✓			
	Amendments to PAS 19: Employee Benefits – Defined Benefit Plans: Employee Contributions*				✓
	Annual Improvements to PFRSs (2012-2014) cycle: PAS 19 – Employee Benefits – Regional Market Issue Regarding Discount Rate*				✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	✓		✓	
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendment: Net Investment in a Foreign Operation	✓		✓	
PAS 23 (Revised)	Borrowing Costs	✓			
PAS 24 (Revised)	Related Party Disclosures	✓			
	Annual Improvements to PFRSs (2010-2012) cycle: PAS 24 – Related Party Disclosures – Key Management Personnel *				✓
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		✓	
PAS 27 (Revised)	Separate Financial Statements	✓			
	Amendments to PAS 27: Separate Financial Statements – Investment Entities	✓		✓	
	Amendments to PAS 27: Equity Method in Separate Financial Statements*			✓	✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓			
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*				✓
PAS 29	Financial Reporting in Hyperinflationary Economies	✓		✓	
PAS 32	Financial Instruments: Disclosure and Presentation	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		✓	
	Amendment to PAS 32: Classification of Rights Issues	✓		✓	
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓			
PAS 33	Earnings per Share	✓			
PAS 34	Interim Financial Reporting	✓		✓	
	Annual Improvements to PFRSs (2012-2014) cycle: PAS 34 – Interim Financial Reporting – Disclosure of Information “Elsewhere in the Interim Financial Report” *			✓	✓
PAS 36	Impairment of Assets	✓			
	Amendments to PAS 36: Recoverable Amount of Disclosures for Non-Financial Assets	✓			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓			
PAS 38	Intangible Assets	✓			
	Annual Improvements to PFRSs (2010-2012) cycle: PAS 38 – Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*				✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization*				✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 39	Financial Instruments: Recognition and Measurement	✓			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓			
	Amendments to PAS 39: The Fair Value Option	✓			
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓			
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓			
	Amendment to PAS 39: Eligible Hedged Items	✓			
	Amendments to PAS 39: Financial Instruments – Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	✓			
PAS 40	Investment Property	✓			
	Annual Improvements to PFRSs (2011-2013) cycle: PAS 40 – Investment Property*				✓
PAS 41	Agriculture	✓		✓	
	Amendments to PAS 41: Bearer Plants*			✓	✓
Philippine Interpretations					
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓			
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	✓		✓	
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓			
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		✓	
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*	✓		✓	
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*	✓		✓	
IFRIC 9	Reassessment of Embedded Derivatives	✓			
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓			
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		✓	
IFRIC 12	Service Concession Arrangements	✓		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable	Not Early Adopted
IFRIC 13	Customer Loyalty Programmes	✓		✓	
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		✓	
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	✓		✓	
IFRIC 15	Agreement for the Construction of Real Estate*			✓	✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	✓		✓	
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		✓	
IFRIC 18	Transfers of Assets from Customers	✓		✓	
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓			
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		✓	
IFRIC 21	Levies	✓			
SIC-7	Introduction of the Euro	✓		✓	
SIC-10	Government Assistance - No Specific Relation to Operating Activities	✓		✓	
SIC-15	Operating Leases – Incentives	✓		✓	
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		✓	
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓			
SIC-29	Service Concession Arrangements: Disclosures	✓		✓	
SIC-31	Revenue - Barter Transactions Involving Advertising Services	✓		✓	
SIC-32	Intangible Assets - Web Site Costs	✓			

** Standards or amendments which will become effective subsequent to December 31, 2014.*

Belle Corporation
Conglomerate Map
As of December 31, 2014
Annex I