



SECURITIES AND EXCHANGE
COMMISSION
5:18
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**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, 2015 and 2014, 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 29th day of February, 2016

NOTARY PUBLIC MAKATI CITY

SUBSCRIBED AND SWORN to before me this ___th day of _____ 2016 affiants exhibiting to me their Passports/TIN. as follows:

NAME	PASSPORT/ TIN 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 # EC0634893 TIN# 103-432-824	March 22, 2014	DFA Manila
Manuel A. Gana	Passport # EB4684110 TIN# 906-105-409	February 10, 2012	DFA Manila

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SERIES OF ED16

ATTY. REINIER S. QUIAMBAO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2015
PTR NO. 5329830 / 01 07 16 MAKATI CITY
SP NO. 1023805 / 01 08 15 TARAAC CITY
TIN 238-251-699 ROLL NO. 62283
MOLE NO. 7-2011-00118 05-15

Belle Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2015 and 2014
And Years Ended December 31, 2015, 2014
and 2013

and

Independent Auditors' Report

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SGV T&A Inc.
7th Floor, Unit 701
Makati

SEC Registration No. 0017
December 1, 2012 (SEC Accreditation No. 2012-PR-4) (Renewed
November 17, 2015, valid until November 8, 2016)

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Belle Corporation

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, 2015 and 2014, 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, 2015, 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, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Ramon D. Dizon

Partner

CPA Certificate No. 46047

SEC Accreditation No. 0077-AR-3 (Group A),
February 21, 2013, valid until April 30, 2016

Tax Identification No. 102-085-577

BIR Accreditation No. 08-001998-17-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5321631, January 4, 2016, Makati City

February 29, 2016



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

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 9, 40 and 44)	P3,570,065	P6,326,509
Investments held for trading (Notes 10, 20, 36 and 44)	226,747	262,815
Receivables - net (Notes 11, 40 and 44)	1,599,607	1,474,911
Current portion of finance lease receivable (Notes 38 and 44)	1,419,651	722,745
Real estate for sale - at cost (Note 12)	843,074	935,530
Club shares - at cost (Note 13)	2,995,593	2,700,551
Other current assets (Notes 14 and 37)	2,323,619	2,193,830
Total Current Assets	12,978,356	14,616,891
Noncurrent Assets		
Land held for future development (Notes 12 and 24)	3,018,515	3,018,515
Finance lease receivable - net of current portion (Notes 38 and 44)	15,725,603	8,866,747
Investments in and advances to associates - net (Notes 15, 40 and 44)	65,364	93,909
Available-for-sale financial assets (Notes 16 and 44)	2,041,303	1,887,379
Investment properties (Notes 17, 25 and 38)	1,540,961	4,432,277
Property and equipment (Note 18)	770,716	576,817
Intangible asset (Note 19)	4,970,341	5,249,552
Goodwill (Notes 20 and 21)	1,828,578	1,828,578
Pension asset (Note 39)	-	1,103
Deferred tax assets (Note 37)	42,261	41,234
Other noncurrent assets (Note 22)	710,167	778,084
Total Noncurrent Assets	30,713,809	26,774,195
TOTAL ASSETS	P43,692,165	P41,391,086
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities (Notes 12, 24, 40 and 44)	P2,435,975	P2,930,340
Loans payable (Notes 23 and 44)	1,000,017	3,000,017
Assignment of receivables with recourse (Notes 11, 40 and 44)	-	28,026
Income tax payable	49,600	56,546
Estimated liability on construction costs (Note 17)	2,556,836	1,035,028
Current portion of:		
Nontrade liability (Notes 26 and 44)	455,886	274,562
Obligations under finance lease (Note 38)	25,028	16,356
Long-term debt (Notes 25 and 44)	362,500	12,500
Installment payable (Notes 38 and 44)	173	928
Total Current Liabilities	6,886,015	7,354,303

(Forward)



	December 31	
	2015	2014
Noncurrent Liabilities		
Noncurrent portion of:		
Nontrade liability (Notes 26 and 44)	P4,839,172	P3,966,694
Long-term debt (Notes 25 and 44)	4,621,875	1,737,500
Obligations under finance lease (Note 38)	93,527	76,494
Installment payable (Notes 38 and 44)	-	198
Pension liability (Note 39)	12,346	18,787
Deferred tax liabilities - net (Note 37)	1,166,104	806,229
Total Noncurrent Liabilities	10,733,024	6,605,902
TOTAL LIABILITIES	17,619,039	13,960,205
Equity		
Attributable to equity holders of the parent:		
Common stock (Note 27)	10,561,000	10,559,383
Additional paid-in capital	5,503,731	5,503,731
Treasury shares (Note 27)	(134,442)	-
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)	(1,749,628)	(1,604,824)
Unrealized gain on available-for-sale financial assets - net (Note 16)	520,618	87,046
Retained earnings (Note 27)	4,903,882	6,530,078
Other reserves (Notes 2, 3 and 39)	3,085,896	3,272,665
Excess of cost over net asset value of an investment (Note 20)	252,040	252,040
Total Equity Attributable to Equity Holders of the Parent	22,940,596	24,597,618
Non-controlling interests (Note 3)	3,132,530	2,833,263
Total Equity	26,073,126	27,430,881
TOTAL LIABILITIES AND EQUITY	P43,692,165	P41,391,086

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		
	2015	2014	2013
REVENUE			
Interest income on finance lease (Note 38)	₱1,917,354	₱1,409,173	₱1,177,570
Equipment rental and instant scratch ticket sales (Notes 38 and 41)	1,537,648	949,721	-
Gaming revenue share - net (Note 28)	756,238	38,809	-
Sale of real estate and club shares	347,775	300,252	175,280
Lease income (Note 38)	190,906	188,757	157,136
Revenue from property management	112,682	115,356	105,033
Termination income (Note 41)	-	-	949,608
Others (Note 29)	332,879	161,724	59,620
	5,195,482	3,163,792	2,624,247
COSTS AND EXPENSES			
Cost of lottery services (Note 30)	(595,142)	(306,021)	-
Cost of gaming operations (Note 31)	(382,023)	(18,709)	-
Cost of real estate and club shares sold (Notes 12 and 32)	(157,942)	(125,856)	(115,389)
Cost of lease income	(152,584)	(11,368)	(3,803)
Cost of services for property management (Notes 12 and 33)	(80,208)	(88,052)	(60,269)
General and administrative expenses (Note 34)	(950,414)	(731,508)	(638,839)
	(2,318,313)	(1,281,514)	(818,300)
OTHER INCOME (EXPENSES)			
Accretion of nontrade liability (Note 26)	(651,684)	(533,348)	-
Interest expense (Note 35)	(273,977)	(98,723)	(103,852)
Net foreign exchange gain (loss)	36,135	(7,619)	(86,167)
Interest income (Note 35)	34,470	29,979	56,112
Equity in net earnings of associates (Note 15)	27,340	117,190	119,940
Gain from cancellation of Swap Agreement (Note 41)	-	1,219,133	-
Gain on significant acquisitions - net (Note 20)	-	879,348	-
Gain (loss) on finance lease (Notes 17 and 38)	-	(812,842)	2,324,434
Gain on share swap (Note 15)	-	-	772,247
Other income (charges) (Note 36)	44,391	14,747	81,052
	(783,325)	807,865	3,163,766
INCOME BEFORE INCOME TAX	2,093,844	2,690,143	4,969,713
PROVISION FOR INCOME TAX (Note 37)			
Current	306,296	179,943	305,577
Deferred	363,038	(46,474)	1,027,952
	669,334	133,469	1,333,529
NET INCOME	1,424,510	2,556,674	3,636,184

(Forward)



	Years Ended December 31		
	2015	2014	2013
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Unrealized gain on available-for-sale financial assets - net (Note 16)	₱521,570	₱277,831	(₱205,653)
Unrealized loss on available-for-sale financial assets - net recycled to profit or loss (Note 16)	(87,998)	-	-
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 16 and 41)	-	(1,559,847)	-
Share in unrealized gain (loss) in available-for-sale financial assets of associates (Note 15)	-	1,573	(8,560)
	433,572	279,404	(214,213)
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) of pension asset/liability - net (Note 39)	9,046	(23,178)	5,880
Income tax effect	(2,714)	6,954	(1,764)
	6,332	(16,224)	4,116
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	439,904	263,180	(210,097)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	₱1,864,414	₱2,819,854	₱3,426,087
Net income attributable to:			
Equity holders of the parent (Note 43)	₱1,186,460	₱2,202,253	₱3,639,853
Non-controlling interests	238,050	354,421	(3,669)
	₱1,424,510	₱2,556,674	₱3,636,184
Total comprehensive income attributable to:			
Equity holders of the parent	₱1,623,417	₱2,465,433	₱3,429,756
Non-controlling interests	240,997	354,421	(3,669)
	₱1,864,414	₱2,819,854	₱3,426,087
Basic/Diluted Earnings Per Share (Note 43)	₱0.116	₱0.216	₱0.355

See accompanying Notes to Consolidated Financial Statements.



BELLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent										Total Equity	
	Common Stock (Note 27)	Additional Paid-in Capital	Treasury Shares	Equity Share of Parent Company Shares Held by Associates (Note 15)	Cost of Parent Company and Preferred Shares Held by Subsidiaries (Note 3)	Unrealized Gain on Available-Financial Assets - net (Note 16)	Unrealized Gain on Available-Financial Assets of Associates (Note 15)	Share in Unrealized Gain (Loss) on Available-Financial Assets	Share in Other Reserves	Retained Earnings (Note 27)		Non-controlling Interests
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	\$6,530,078	\$2,833,263	\$27,430,881
Issuance of common stock	1,617	-	-	-	(1,617)	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	(13,442)	-	-	-	-	-	-	-	-	(13,442)
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of additional Parent Company shares by Pacific Online	-	-	-	-	(143,187)	-	-	-	-	-	(74,909)	(74,909)
Disposal of Parent Company interest in Pacific Online and transaction costs	-	-	-	-	-	-	-	-	(199,154)	-	-	(143,187)
Collections of subscriptions from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	179,205	179,205
Cash dividends (Note 27)	-	-	-	-	-	-	-	-	-	-	185,481	185,481
Net income	-	-	-	-	-	-	-	-	-	(2,812,656)	(231,507)	(3,044,163)
Reversal of loss of defined benefit asset (liability) net	-	-	-	-	-	-	-	-	-	1,186,460	-	1,186,460
Unrealized gain on available-for-sale financial assets - net (Note 16)	-	-	-	-	-	-	-	3,385	-	-	-	3,385
Total comprehensive income for the year	-	-	-	-	-	433,572	-	-	-	-	2,947	6,332
Balance at December 31, 2015	\$10,561,000	\$5,503,731	(\$13,442)	(\$2,501)	(\$1,749,638)	\$520,618	\$14,061	(\$3,941)	\$3,075,776	\$4,903,882	\$3,132,530	\$26,073,126



Attributable to Equity Holders of the Parent
Other Reserves

	Preferred Stock (Notes 3 and 27)	Common Stock (Note 27)	Additional Paid-in Capital	Equity Share in Cost of Parent Company Shares Held by Associates (Note 15)	Cost of Parent Company Common and Preferred Shares Held by Subsidiaries (Note 3)	Unrealized Gain on Available-for-Sale Financial Assets - net (Note 16)	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 20)	Retained Earnings (Note 27)	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	-	€257,040	€4,533,666	€19,419,289	€787,795	€20,207,084
Cancellation of preferred stock (Note 3) and LIR (Note 41)	(1,000,000)	-	-	-	(2,257,631)	-	-	-	-	-	-	-	-	-
Acquisition of subsidiary accounted for under acquisition method (Note 20)	-	-	-	-	(328,074)	-	-	-	(961,972)	-	-	(961,972)	(257,161)	(1,219,133)
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(328,074)	665,879	337,805
Acquisition of additional Parent Company shares by Pacific Online	-	-	-	-	(21,192)	-	-	-	-	-	-	(21,192)	(231,696)	(231,696)
Disposal of Parent Company interest in PLC without loss of control (Note 2)	-	-	-	-	2,073	-	-	-	-	-	-	2,073	-	2,073
Disposal of Parent Company interest in PLAI without loss of control (Note 3)	-	-	-	-	-	-	-	-	3,830,380	-	-	3,830,380	1,704,136	5,534,516
Disposal of Parent Company interest in Pacific Online without loss of control (Note 3)	-	-	-	-	-	-	-	-	(55,288)	-	-	(55,288)	55,288	-
Parent Company's additional subscription in PLC (Note 3)	-	-	-	-	-	-	-	-	(304,934)	-	-	(304,934)	559,595	254,661
Transaction costs of acquisition and disposal of interest in subsidiaries (Note 3)	-	-	-	-	-	-	-	-	1,896,027	-	-	1,896,027	(1,896,027)	-
	-	-	-	-	-	-	-	-	(1,138,283)	-	-	(1,138,283)	-	(1,138,283)

(Forward)



Attributable to Equity Holders of the Parent

	Other Reserves										Total	Non-controlling Interests	Total Equity	
	Preferred Stock (Note 27)	Common Stock (Note 27)	Additional Paid-in Capital	Equity Share in Cost of Parent Company Shares Held by Associates (Note 15)	Cost of Parent Company Common and Preferred Shares Held by Subsidiaries (Note 3)	Unrealized Gain on Available-Financial Assets - net (Note 16)	Unrealized Gain (Loss) on Available-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 20)
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	₱16,673,395
Disposal (acquisitions) of parent company common and preferred shares by associates and subsidiaries	-	-	-	729,195	(1,695,256)	-	-	-	-	-	-	-	-	-
Excess of cost over net asset value of an investment	-	-	-	-	-	-	-	-	-	-	-	(966,061)	-	(966,061)
Disposal of share in cumulative translation adjustments and unrealized loss on available-for-sale financial assets of associates	-	-	-	-	-	-	662	26,393	-	252,040	-	252,040	-	252,040
Acquisition of additional non-controlling interests in PLC	-	-	-	-	-	-	-	-	-	-	-	27,055	-	27,055
Net income	-	-	-	-	-	-	-	-	-	-	-	-	844,568	844,568
Other comprehensive income (loss)	-	-	-	-	-	(205,653)	(8,560)	-	4,116	-	3,639,853	3,639,853	(3,669)	3,636,184
Total comprehensive income (loss) for the year	-	-	-	-	-	(205,653)	(8,560)	-	4,116	-	3,639,853	3,639,853	(3,669)	3,636,184
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	₱257,040	₱4,533,666	₱19,419,289	₱187,795	₱20,207,084

See accompanying Notes to Consolidated Financial Statements



BELLE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax			
Adjustments for:	₱2,093,844	₱2,690,143	₱4,969,713
Interest income on finance lease (Note 38)			
Accretion of nontrade liability (Note 26)	(1,917,354)	(1,409,173)	(1,177,570)
Depreciation and amortization (Notes 18, 19, 30, 31, 33 and 34)	651,684	533,348	-
Interest expense (Note 35)	431,135	140,560	34,939
Loss (gain) on sale of:	273,977	98,723	103,852
Available-for-sale investments (Notes 16 and 36)	(90,342)	-	-
Investments held for trading (Notes 10 and 36)	(7,439)	(22,296)	-
Property and equipment (Notes 18 and 36)	397	(451)	(72,026)
Held-to-maturity investments (Note 36)	-	(31,353)	-
Amortization of discount on trade receivables (Notes 11 and 29)	(56,768)	(9,954)	(32,280)
Unrealized mark-to-market gain on investments held for trading (Note 36)	43,464	(34,206)	-
Unrealized foreign exchange loss - net	(36,135)	7,619	86,167
Interest income (Note 35)	(34,470)	(29,979)	(56,112)
Equity in net earnings of associates (Note 15)	(27,340)	(117,190)	(119,940)
Dividend income (Note 29)	(23,209)	(22,443)	-
Pension costs (Notes 34 and 39)	20,241	8,913	5,318
Provision for (reversal of):			
Probable loss on other assets (Note 36)	(34,951)	9,034	4,418
Doubtful accounts (Note 36)	32,437	5,492	352
Impairment loss on advances to associates (Note 36)	-	40	-
Impairment loss on investment in associates (Note 36)	(255)	-	-
Impairment loss on advances to related parties (Note 36)	-	-	4,137
Gain from cancellation of Swap Agreement (Note 41)	-	(1,219,133)	-
Gain on significant acquisitions - net (Note 20)	-	(879,348)	-
Loss (gain) in finance lease (Notes 17 and 38)	-	812,842	(2,324,434)
Gain on share swap (Note 15)	-	-	(772,247)
Working capital adjustments:			
Decrease (increase) in:			
Receivables	895,944	1,266,829	2,552,727
Real estate for sale	92,456	(361,769)	(690,941)
Club shares	(295,042)	215,475	2,421
Other assets	(68,012)	(1,782,994)	(331,509)
Decrease in trade and other current liabilities	(521,390)	(113,053)	(3,515,856)
Net cash generated from (used for) operations	1,422,872	(244,324)	(1,328,871)
Interest received	34,470	44,929	1,214,806
Income taxes paid	(272,151)	(123,397)	(325,601)
Contributions to the retirement fund (Note 39)	(15,000)	(15,000)	(10,310)
Net cash provided by (used in) operating activities	1,170,191	(337,792)	(449,976)
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures on investment properties (Note 17)	(2,171,854)	(2,605,824)	(977,326)
Acquisitions of:			
Investment in associate (Note 15)	-	(413,272)	-
Investments held for trading (Note 10)	(65,138)	(30,060)	-
Property and equipment (Note 18)	(366,257)	(104,535)	(41,821)
Payment of subscription (Note 15)	(3,675,000)	-	-

(Forward)



	Years Ended December 31		
	2015	2014	2013
Collection of advances from associate (Note 15)	₱3,675,000	₱-	₱-
Purchase consideration for acquisitions of subsidiaries, net of cash acquired (Note 20)	-	(195,576)	-
Proceeds from redemption of held-to-maturity investments	-	781,353	-
Proceeds from disposal of:			
Investments held for trading (Note 10)	65,181	200,201	-
Available-for-sale financial assets (Note 16)	308,515	-	-
Property and equipment (Notes 18 and 36)	20,037	572	76,294
Interest paid - capitalized to investment properties (Note 17)	-	(80,285)	(111,023)
Decrease in:			
Investments in and advances to associates and related parties	56,140	-	463,014
Escrow fund (Note 41)	-	-	2,064,450
Short-term investments	-	-	965
Dividends received (Note 29)	23,209	22,443	-
Net cash provided by (used in) investing activities	(2,130,167)	(2,424,983)	1,474,553
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term debt and loans payable	(3,015,625)	(4,013,459)	(5,250,037)
Interest - net of capitalized interest	(273,977)	(98,723)	(135,586)
Acquisition of Parent Company shares held by a subsidiary (Note 27)	(145,931)	(21,192)	-
Transaction costs of acquisition and disposal of non-controlling interest (Note 3)	(10,949)	(1,138,283)	-
Proceeds from:			
Disposal of Parent Company interest in PLC without loss of control (Note 2)	-	5,534,516	-
Availment of loans and long-term debt (Notes 24 and 26)	4,250,000	7,050,000	229,941
Collection of subscriptions receivable from non-controlling interest	185,481	1,165,644	-
Disposal of interest in Pacific Online without loss of control (Note 3)	2,744	254,661	-
ABLGI advance (Note 26)	780,000	-	4,000,000
Disposal of Parent Company shares held by a subsidiary	-	2,073	-
Dividends paid	(3,039,387)	(280,452)	-
Acquisition of treasury shares (Note 27)	(134,442)	-	-
Acquisition of non-controlling interest (Note 27)	(74,909)	(231,696)	-
Increase (decrease) in:			
Nontrade liability	(377,883)	(292,092)	-
Advances from related parties	(2,479)	(2,272)	(105,791)
Obligations under finance lease	25,706	118	-
Installment payable	(952)	(2,336)	-
Net cash provided by (used in) financing activities	(1,832,603)	7,926,507	(1,261,473)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	36,135	(7,619)	(12,419)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,756,444)	5,156,113	(249,315)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,326,509	1,170,396	1,419,711
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 9)	₱3,570,065	₱6,326,509	₱1,170,396

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 February 29, 2016.

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 which have been measured at fair value (see Notes 10 and 16). 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, 2015 and 2014. 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:

Subsidiaries	Industry	2015			2014		
		Percentage of Ownership			Percentage of Ownership		
		Direct	Indirect	Total	Direct	Indirect	Total
Belle Bay Plaza Corporation (Belle Bay Plaza)*	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	90.0	-	90.0	90.0	-	90.0
Premium Leisure Corp. (PLC) (formerly Sinophil Corporation) and Subsidiaries:	Gaming	78.7	1.0	79.7	78.7	0.3	79.0
Premium Leisure and Amusement Inc. (PLAI)	Gaming	-	100.0	100.0	-	100.0	100.0
Foundation Capital Resources Inc.*	Investment	-	100.0	100.0	-	100.0	100.0
Sinophil Leisure and Resorts Corporation*	Investment	-	100.0	100.0	-	100.0	100.0
Pacific Online Systems Corporation (Pacific Online) and Subsidiaries:	Gaming	-	50.1	50.1	16.6	35.3	51.9
Loto Pacific Leisure Corporation (LotoPac)	Gaming	-	100.0	50.1	-	100.0	100.0
Lucky Circle Corporation (LCC)	Gaming	-	100.0	50.1	-	100.0	100.0
Total Gaming Technologies, Inc. (TGTI)	Gaming	-	98.9	98.9	-	98.9	98.9
Falcon Resources Inc. (FRI)	Gaming	-	100.0	100.0	-	100.0	100.0

*Non-operating

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 holds 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:

	2014
	<i>(In Thousands)</i>
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:

	2014
	<i>(In Thousands)</i>
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

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

	2014
	<i>(In Thousands)</i>
Operating	₱502,535
Investing	(187,764)
Financing	(5,445)
Net increase in cash and cash equivalents	₱309,326



Dividends paid to non-controlling interests in 2014 amounted to ₱74.6 million. On August 5, 2015, the remaining direct interest of the Parent Company in Pacific Online was sold to PLC. As a result of the transaction, the Company recognized additional non-controlling interests amounting to ₱190.2 million and a credit to "Other reserves - transactions with non-controlling interest" amounting to ₱190.2 million in the equity section of the 2015 consolidated statement of financial position, gross of transactions costs amounting to ₱10.9 million. Accordingly, the non-controlling interests attributable to Pacific Online are already included in the non-controlling interests attributable to PLC as at December 31, 2015.

PLC

The non-controlling interests of PLC are material to the Company. Non-controlling interests hold 20.9% and 21.0% as at December 31, 2015 and 2014.

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, 2015 and 2014:

	2015	2014
	<i>(In Thousands)</i>	
Total current assets	₱3,147,209	₱3,035,433
Total noncurrent assets	13,294,789	12,837,428
Total current liabilities	440,574	83,953
Total noncurrent liabilities	112,166	1,048
Total equity	₱15,889,258	₱15,787,860
Attributable to:		
Equity holders of the Parent	₱12,762,884	₱13,949,372
Non-controlling interests	3,126,374	1,838,488
Total	₱15,889,258	₱15,787,860

Summarized Consolidated Statements of Comprehensive Income for the years ended December 31, 2015 and 2014:

	2015	2014
	<i>(In Thousands)</i>	
Revenue	₱1,475,565	₱38,809
Costs and expenses	(1,209,625)	(420,367)
Other income charges - net	141,978	1,725,620
Income before income tax	407,918	1,344,062
Provision for income tax	(184,763)	(5,117)
Net income	223,155	1,338,945
Other comprehensive income (loss)	(286,137)	19,431
Total comprehensive income (loss)	(₱62,982)	₱1,358,376
Attributable to:		
Equity holders of the Parent	(₱216,401)	₱1,072,334
Non-controlling interests	153,419	286,042
Total	(₱62,982)	₱1,358,376



Summarized Consolidated Statements of Cash Flows for the years ended December 31, 2015 and 2014:

	2015	2014
	<i>(In Thousands)</i>	
Operating	₱970,611	(₱383,598)
Investing	(1,805,245)	(11,020,891)
Financing	(669,931)	14,095,686
Net increase in cash and cash equivalents	(₱1,504,565)	₱2,691,197

In September and October 2014, Belle, its subsidiaries and affiliates sold a total of approximately 3.5 billion PLC shares in the secondary market increasing PLC's public float. These share sales reduced Belle's consolidated ownership in PLC to 24.9 billion shares or approximately 79.0%. 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 amendments to existing PFRS effective beginning January 1, 2015:

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*, 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. The adoption of these amendments did not have any impact on the Company's consolidated financial statements since the Company's retirement plans are noncontributory.

Annual Improvements to PFRS (2010 to 2012 cycle)

The Annual Improvements to PFRS (2010 to 2012 cycle) contain non-urgent but necessary amendments to the following standards. Except as otherwise stated, the adoption of these amendments did not have a significant impact on the consolidated financial statements.

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, 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*, is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39.



- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, are applied retrospectively and clarify that:
 - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
 - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- PAS 16, *Property, Plant and Equipment: Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, and PAS 38, *Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Amortization*, is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- PAS 24, *Related Party Disclosures - Key Management Personnel*, is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRS (2011 to 2013 cycle)

The Annual Improvements to PFRS (2011 to 2013 cycle) contain non-urgent but necessary amendments to the following standards. Except as otherwise stated, the adoption of these amendments did not have a significant impact on the consolidated financial statements.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
 - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
 - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*, is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.
- PAS 40, *Investment Property*, is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).



- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments), require that a joint operator that is 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, a 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*, 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. 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.
- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments), are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:
 - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
 - That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
 - That entities have flexibility as to the order in which they present the notes to financial statements
 - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (Amendments), clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint



venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Company since the Company is not an investment entity nor does it have investment entity associates.

Annual Improvements to PFRS (2012-2014 cycle)

The Annual Improvements to PFRS (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Company. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, 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*, 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 for continuing involvement 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 (Amendments)*, 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*, 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'*, 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).



Effective January 1, 2018

- PFRS 9, *Financial Instruments*, whose final version was issued in July 2014, reflects all phases of the financial instruments project and replaces PAS 39 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.

The adoption of PFRS 9 (2014 version) will have an effect on the classification and measurement of the Company's financial assets but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption of the other phases of the project is not expected to have any significant impact on the Company's consolidated financial statements. The Company is currently assessing the impact of adopting this standard.

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

- International Financial Reporting Standard (IFRS) 15, *Revenue from Contracts with Customers*, 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 to 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, 2018, with early adoption permitted.
- IFRS 16, *Leases*, was issued in January 2016. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, leases will apply the single-asset model, wherein lessees will recognize the assets and the related liabilities for most leases in their balance sheets and, subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

The Company is currently assessing the impact of IFRS 15 and IFRS 16 and plans to adopt the new and amended standards on their required effective dates 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 consolidated 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, 2015 and 2014, the Company has no derivatives designated as hedging instruments.

▪ Financial assets at FVPL

Financial assets at FVPL 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 statements of financial position (see Note 10).

▪ Loans and Receivables

Loans and receivables are non-derivative 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 receivable, deposits, 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 guarantee bonds (see Notes 11, 14, 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.

- 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 statements of financial position (see Note 16).

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 FVPL

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

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

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**

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, 2015 and 2014, 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, 2015 and 2014, 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 unobservable data is used, 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 and Land Held for Development

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 "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 "Excess of cost over net asset value of an investment" account in the equity section of the consolidated statements 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 profit or loss.

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 interest 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 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 statements 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.

Treasury Shares

Treasury shares represent issued Parent Company shares which were subsequently repurchased. These are recorded at cost and shown in the consolidated statements of financial position as a deduction from equity.

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 statements of comprehensive income and within equity in the consolidated statements 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 statements 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. Revenue is recognized when the Company's right to receive the payment is established.

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

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

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

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

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

Costs and Expense Recognition

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

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



Leases

The determination of whether an arrangement is, or contains, 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 statements of comprehensive income.

The cost of the leased item is derecognized at inception of the lease. Cost includes estimated cost to complete the construction of a leased item and recognized as "Estimated liability on construction costs" separately shown in the consolidated statements of financial position and shall be settled based on actual billings from the contractors and adjusted upon completion of the construction. 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 statements 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 VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT 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 VAT 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 VAT 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 statements of financial position.



Earnings Per Share (EPS)

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

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

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

Operating Segments

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

Provisions

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

Contingencies

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

Events after the Reporting Period

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



7. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

Recognition of Revenue and Cost of Sale of Real Estate and Club Shares. Selecting an appropriate revenue recognition method for a particular sale transaction requires certain judgments based on sufficiency of cumulative payments by the buyer, completion of development and existence of a binding sales agreement between the Company and the buyer. 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 ₱347.8 million and ₱157.9 million, respectively, in 2015, ₱300.3 million and ₱125.9 million, respectively, in 2014, and ₱175.3 million and ₱115.4 million, respectively, in 2013 (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 20 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 ₱65.4 million and ₱93.9 million as at December 31, 2015 and 2014, 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, 2015 and 2014, 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 in 2015 and PLC and Pacific Online in 2014 as subsidiaries with material non-controlling interests (see Note 3). The Company has no material associates in 2015 and 2014 (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 under finance lease (see Notes 17 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 ₱183.7 million in 2015, ₱183.3 million in 2014, and ₱152.7 million in 2013 (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 2015 and 2014 amounted to ₱1,459.3 million and ₱828.7 million, respectively (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 ₱128.4 million and ₱123.3 million as at December 31, 2015 and 2014, respectively (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 each in 2015 and 2014, and ₱11.6 million in 2013 (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 ₱0.8 million and ₱2.7 million as at December 31, 2015 and 2014, respectively (see Note 16).

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 ₱32.4 million and ₱5.5 million in 2015 and 2014, respectively, and net reversal of provision of ₱3.8 million in 2013 (see Notes 11 and 36). Receivables, net of allowance for doubtful accounts, amounted to ₱1,599.6 million and ₱1,474.9 million as at December 31, 2015 and 2014, respectively. Allowance for doubtful accounts amounted to ₱155.0 million and ₱132.1 million as at December 31, 2015 and 2014, 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 in 2014, and nil in 2015 and 2013 (see Notes 15, 36 and 40). Advances to associates, net of allowance for doubtful accounts, amounted to ₱29.8 million and ₱3,704.6 million as at December 31, 2015 and 2014, respectively. Allowance for impairment amounted to ₱145.3 million as at December 31, 2015 and 2014 (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:

	2015	2014
	<i>(In Thousands)</i>	
Real estate for sale and land held for future development (see Note 12)	₱3,861,589	₱3,954,045
Club shares (see Note 13)	2,995,593	2,700,551
Supplies inventory*(see Note 14)	75,661	96,521

*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 2015, 2014 and 2013. However, as discussed in Note 41, 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 ₱2,041.3 million and ₱1,887.4 million as at December 31, 2015 and 2014, respectively (see Notes 16 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 effectivity 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 in 2014 amounted to ₱1,338.3 million (see Note 20). 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 goodwill amounting to ₱1,717.6 million (see Notes 20 and 21). 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 20).

The Company's controlling interest in Pacific Online in 2014 also requires remeasurement of previously held interest in Pacific 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 (see Note 20).

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 2015 and 2014. The carrying amount of goodwill amounted to ₱1,828.6 million as at December 31, 2015 and 2014 (see Notes 20 and 21).

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 2015 and 2014.

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, 2015 and 2014 are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Investments in associates - net (see Note 15)	₱81,456	₱110,261
Investment properties (see Note 17)	1,540,961	4,432,277
Property and equipment (see Note 18)	770,716	576,817
Intangible asset (see Note 19)	4,970,341	5,249,552
Other current assets* (see Note 14)	1,128,001	2,084,989

*Excluding supplies inventory, deposits, advances to officers and employees, accrual accounts and certain "advances to contractors and suppliers."

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 ₱4,465.8 million and ₱2,398.0 million as at December 31, 2015 and 2014, respectively. Unrecognized deferred tax assets amounted to ₱934.0 million and ₱942.5 million as at December 31, 2015 and 2014, 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 as at December 31, 2014. Pension liability amounted to ₱12.3 million and ₱18.8 million as at December 31, 2015 and 2014, respectively (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 2015, 2014 and 2013.



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, property management 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.

The amounts of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring principles that are similar to those used in measuring assets and liabilities and profit or loss in the consolidated financial statements, which are in accordance with PFRS.

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

	2015				
	Real Estate Development and Property Management	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
	<i>(In Thousands)</i>				
Earnings Information					
Revenue	P3,357,190	P2,566,986	P-	(P728,694)	P5,195,482
Costs and expenses	(708,806)	(1,911,451)	(119)	302,063	(2,318,313)
Equity in net earnings of associates	27,340	-	-	-	27,340
Interest expense	(291,870)	(10,884)	-	28,777	(273,977)
Interest income	20,401	42,843	45	(28,819)	34,470
Provision for income tax	375,632	293,702	-	-	669,334
Net profit for the year	2,666,523	480,922	(87)	(1,722,848)	1,424,510
Net profit attributable to equity holders of the parent	2,666,523	242,868	(80)	(1,722,851)	1,186,460
Other Information					
Investments in and advances to associates	9,799,835	-	4,780,763	(14,515,234)	65,364
Investments held for trading	-	226,747	-	-	226,747
Available-for-sale financial assets	2,023,380	1,040,720	-	(1,022,797)	2,041,303
Advances to related parties	21,274	-	-	(7,072)	14,202
Segment assets	31,984,466	15,558,020	113,842	(6,244,614)	41,411,714
Segment liabilities	2,594,615	542,123	26,012	(618,888)	2,543,862
Total consolidated assets	43,828,957	16,825,487	4,894,605	(21,789,719)	43,759,330
Total consolidated liabilities	20,238,107	699,324	4,906,341	(8,157,568)	17,686,204
Capital expenditures	3,487,716	312,703	-	-	3,800,419
Depreciation and amortization	(22,545)	(607,834)	-	284,066	(346,313)



2014					
	Real Estate Development and Property Management	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
<i>(In Thousands)</i>					
Earnings Information					
Revenue	P2,336,086	P1,091,938	P1,350	(P265,582)	P3,163,792
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	(6,021,930)	2,556,673
Net profit attributable to equity holders of the parent	6,707,646	1,509,240	7,297	(6,021,930)	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	(7,600,709)	39,120,056
Segment liabilities	3,027,898	718,625	56,354	(750,469)	3,052,408
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)	-	(11,634)	(63,635)
2013					
	Real Estate Development and Property Management	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
<i>(In Thousands)</i>					
Earnings Information					
Revenue	P2,689,682	P8,068	P-	(P73,503)	P2,624,247
Costs and expenses	(841,261)	(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 for the year	3,539,242	133,058	1,529	(37,645)	3,636,184
Net profit 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)

Revenues from a certain customer in the Company's real estate development business amounted to P2,108.3 million, P1,597.9 million and 1,334.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.



Revenues from another customer in the Company's gaming and gaming-related activities amounted to ₱1,459.2 million and ₱828.7 million for the years ended December 31, 2015 and 2014, respectively.

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

	2015	2014	2013
	<i>(In Thousands)</i>		
Revenues			
Total revenue for reportable segments	₱5,924,176	₱3,429,374	₱2,697,750
Elimination for intercompany revenue	(728,694)	(265,582)	(73,503)
Total consolidated revenues	₱5,195,482	₱3,163,792	₱2,624,247
Net Profit for the Year			
Total profit for reportable segments	₱3,147,358	₱8,578,603	₱3,673,829
Elimination for intercompany profits	(1,722,848)	(6,021,929)	(37,645)
Consolidated net profit	₱1,424,510	₱2,556,674	₱3,636,184
Assets			
Total assets for reportable segments	₱41,411,714	₱39,120,056	₱28,040,452
Investments in and advances to associates	65,364	93,909	978,016
HTM investments	-	-	750,000
AFS financial assets	2,041,303	1,887,379	1,773,793
Investments held for trading	226,747	262,815	-
Advances to related parties	14,202	26,927	11,587
Total consolidated assets	₱43,759,330	₱41,391,086	₱31,553,848
Liabilities			
Total liabilities for reportable segments	₱2,543,862	₱3,052,408	₱2,481,862
Loans payable	1,000,017	3,000,017	200,466
Long-term debt	4,984,375	1,750,000	1,502,800
Nontrade liability	5,295,058	4,241,256	4,000,000
Advances from related parties*	72,789	75,267	77,539
Deferred tax liabilities - net	1,166,104	806,229	836,530
Estimated liability on construction costs	2,623,999	1,035,028	2,247,567
Total consolidated liabilities	₱17,686,204	₱13,960,205	₱11,346,764

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

The Parent Company's Executive Committee, the chief operating decision maker of the Company, 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:

	2015	2014
	<i>(In Thousands)</i>	
Cash on hand and in banks (see Note 40)	₱1,307,022	₱1,357,916
Cash equivalents (see Note 40)	2,263,043	4,968,593
	₱3,570,065	₱6,326,509

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 ₱33.2 million, ₱17.0 million and ₱13.1 million in 2015, 2014 and 2013, 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 2015 and 2014 are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Balance at beginning of year	₱262,815	₱-
Assets of a subsidiary acquired through a business combination (see Note 20)	-	376,454
Acquisitions	65,138	30,060
Disposals (see Note 36)	(57,742)	(177,905)
Unrealized mark-to-market gain (see Note 36)	(43,464)	34,206
Balance at end of year	₱226,747	₱262,815

In 2015 and 2014, the Company sold certain investments held for trading for ₱65.1 million and ₱200.2 million, respectively.



11. Receivables - net

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Trade receivables:		
Real estate sales	P663,522	P625,164
Equipment rental and instant scratch ticket sales	275,123	315,912
Leases (see Note 38)	357,053	239,543
Gaming revenue share receivable (see Note 28)	136,276	38,809
Related parties (see Note 40)	21,696	34,420
Accrued interest	5,151	1,671
Advances to third parties and others	295,821	351,449
	1,754,642	1,606,968
Less allowance for doubtful accounts	155,035	132,057
	P1,599,607	P1,474,911

- 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.
- Gaming revenue share receivable is collectible on a 20 days credit term. This pertains to the Company's receivable from MCE Leisure for the gaming revenue share in the operations of City of Dreams Manila.
- Advances to third parties and other receivables are noninterest-bearing and generally have 90 days term.

As at December 31, 2015 and 2014, trade receivables from real estate with nominal amount of P718.9 million and P681.8 million, respectively, were recorded initially at fair value. The fair value of the receivables was obtained by discounting future cash flows using applicable interest rates ranging from 1.29% to 9.44% and 2.33% to 4.80% in 2015 and 2014. The unamortized discount amounted to P55.4 million and P56.6 million as at December 31, 2015 and 2014, respectively. Amortization of discount on trade receivables from real estate, shown under "Other revenue" account in the consolidated statements of comprehensive income, amounted to P56.8 million, P10.0 million and P32.3 million in 2015, 2014 and 2013, respectively (see Note 29).

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

	2015	2014
	<i>(In Thousands)</i>	
Trade receivables at nominal amount	P718,881	P681,761
Less discount on trade receivables:		
Balance at beginning of year	56,597	50,376
Discount recognized during the year	55,530	16,175
Amortization during the year (see Note 29)	(56,768)	(9,954)
	55,359	56,597
Balance at end of year	P663,522	P625,164



As at December 31, 2014, the gross undiscounted trade receivables from real estate amounting to ₱28.0 million are assigned on a with recourse basis with BDO Unibank, Inc. (see Note 40). In 2015, this outstanding balance has been fully collected. There were no assignments made on a with recourse basis with any bank in 2015.

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

Movement in the allowance for doubtful accounts is as follows:

	2015			Total
	Trade	Related Parties	Others	
	<i>(In Thousands)</i>			
Balance at beginning of year	₱1,794	₱7,494	₱122,769	₱132,057
Provision (see Note 36)	32,437	-	-	32,437
Write-off	(2,752)	-	(6,707)	(9,459)
Balance at end of year	₱31,479	₱7,494	₱116,062	₱155,035

	2014			Total
	Trade	Related Parties	Others	
	<i>(In Thousands)</i>			
Balance at beginning of year	₱5,773	₱8,656	₱123,576	₱138,005
Provision (see Note 36)	5,492	-	-	5,492
Allowance of a subsidiary accounted under step acquisition	(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

12. Real Estate for Sale and Land Held for Future Development - at cost

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Land held for future development	₱3,018,515	₱3,018,515
Residential lots	839,771	932,227
Condominium units	3,303	3,303
	3,861,589	3,954,045
Real estate for sale - current	(843,074)	(935,530)
Real estate for sale - noncurrent	₱3,018,515	₱3,018,515

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 ₱474.8 million and ₱985.6 million as at December 31, 2015 and 2014, 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 statements of financial position amounted to ₱131.0 million and ₱166.1 million as at December 31, 2015 and 2014, respectively (see Note 24).



A summary of the movement in real estate for sale is set out below:

	2015	2014
	<i>(In Thousands)</i>	
Balance at beginning of year	₱935,530	₱654,967
Construction/development costs incurred	65,486	406,419
Disposals (recognized as cost of sales) (see Note 32)	(157,942)	(125,856)
Balance at end of year	₱843,074	₱935,530

A summary of the movement in land held for development in 2014 is set out below:

	2014
	<i>(In Thousands)</i>
Balance at beginning of year	₱2,937,309
Land acquired during the year	82,223
Other adjustments/reclassifications	(1,017)
Balance at end of year	₱3,018,515

There was no movement in land held for development in 2015.

13. Club Shares - at cost

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Tagaytay Midlands Golf Club, Inc. (TMGCI) (see Note 40)	₱1,278,589	₱1,153,519
The Country Club at Tagaytay Highlands, Inc. (Country Club)	971,167	802,251
Tagaytay Highlands International Golf Club, Inc. (Tagaytay Highlands)	653,756	652,700
The Spa and Lodge at Tagaytay Highlands, Inc.	92,081	92,081
Total	₱2,995,593	₱2,700,551

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:

	2015	2014
	<i>(In Thousands)</i>	
Advances to contractors and suppliers - net of allowance for doubtful accounts of ₱20.3 million in 2015 and 2014	₱1,454,751	₱1,657,762
Input VAT - net of allowance for probable loss of ₱1.5 million in 2015 and ₱12.4 million in 2014	312,485	192,708
Prepaid expenses and others - net of allowance for probable loss of ₱57.2 million in 2015 and 2014	243,501	88,983
Creditable withholding tax - net of allowance for probable loss of ₱4.3 million in 2015 and 2014	221,648	145,536
Instant scratch tickets supplies - at cost	44,114	65,713
Spare parts and supplies - net of allowance for decline in value of ₱3.8 million in 2015 and ₱18.7 million in 2014	31,547	30,808
Deposits	8,331	8,615
Advances to officers and employees - net of allowance for doubtful accounts of ₱3.5 million in 2015 and 2014	7,242	3,705
	₱2,323,619	₱2,193,830

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.

Prepaid expenses and others pertain to various prepaid expenses such as insurance, commission, subscription and refundable deposits for various contracts.

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

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

Gain on sale of spare parts and supplies amounted to ₱1.9 million in 2015 (see Note 36).



15. Investments in and Advances to Associates - net

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Investments in associates - net of impairment in value of ₱141.7 million in 2015 and ₱141.9 million in 2014	₱81,456	₱110,261
Advances to associates - net of allowance for doubtful accounts of ₱145.3 million in 2015 and 2014 (see Note 40)	29,836	3,704,576
Subscription payable	(45,928)	(3,720,928)
	₱65,364	₱93,909

Investments in Associates

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

Associates	Industry	2015			2014		
		Percentage of Ownership			Percentage of Ownership		
		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
Belle Bay City Corporation (Belle Bay City)**	Gaming	34.89	-	34.89	34.89	-	34.89

*Non-operating

**In Liquidation

The associates were all incorporated in the Philippines.

Movements of investments in associates consist of:

	2015	2014
	<i>(In Thousands)</i>	
Acquisition cost:		
Balance at beginning of year	₱5,438,315	₱5,792,121
Acquisition of additional interest in an associate	-	413,272
Acquisition of a subsidiary accounted under acquisition method (see Note 20)	-	(767,078)
Balance at end of year	5,438,315	5,438,315
Accumulated equity in net losses:		
Balance at beginning of year	(5,197,690)	(4,667,730)
Acquisition of a subsidiary accounted under acquisition method (see Note 20)	-	(600,150)
Equity in net earnings for the year	27,340	117,190
Share in declared dividends	(56,400)	(47,000)
Disposal through share swap	-	-
Balance at end of year	(5,226,750)	(5,197,690)

(Forward)



	2015	2014
	<i>(In Thousands)</i>	
Accumulated share in unrealized gain on AFS financial assets:		
Balance at beginning of year	₱14,061	₱12,488
Share during the year	-	1,573
Balance at end of year	14,061	14,061
Total	225,626	254,686
Less allowance for impairment in value		
Balance at beginning of year	141,924	141,924
Reversal of impairment in value (see Note 36)	(255)	-
Balance at end of year	141,669	141,924
Less equity in cost of Parent Company common shares held by associates	2,501	2,501
	₱81,456	₱110,261

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

	2015		
	Carrying Values	Advances	Subscription Payable
	<i>(In Thousands)</i>		
Publicly listed - APC	₱77,422	₱320	₱-
Closely held - Others	4,034	29,516	(45,928)
	₱81,456	₱29,836	(₱45,928)
	2014		
	Carrying Values	Advances	Subscription Payable
	<i>(In Thousands)</i>		
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)

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

	2015	2014
	<i>(In Thousands)</i>	
Net income	(₱18,312)	₱122,856
Other comprehensive loss	(9,566)	(2,309)
Total comprehensive income	(27,878)	120,547



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 51.9% as at December 31, 2014, from 34.9% 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 20 and 21). By end of 2015, the Parent Company has already transferred all direct interest in Pacific Online to its subsidiary, PLC.

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, 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 follows:

	2015	2014
	<i>(In Thousands)</i>	
Balance at beginning of year	₱145,273	₱145,233
Provision during the year (see Note 36)	-	40
Balance at end of year	₱145,273	₱145,273

16. Available-for-sale Financial Assets

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Shares of stock:		
Quoted	₱2,035,354	₱1,879,730
Unquoted	839	2,729
Club shares	5,110	4,920
	₱2,041,303	₱1,887,379

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:

	2015	2014
	<i>(In Thousands)</i>	
Cost:		
Balance at beginning of year	P1,813,982	P3,574,829
Cancellation of share swap agreement (see Note 41)	-	(1,559,847)
Disposal	(267,913)	-
Write-off	(2,029)	-
Reclassification and others	-	(201,000)
Balance at end of year	1,544,040	1,813,982
Unrealized gain (loss) on AFS financial assets:		
Balance at beginning of year	87,046	(190,785)
Disposal	(87,998)	-
Increase in fair value during the year	521,570	277,831
Balance at end of year	520,618	87,046
Allowance for impairment in value:		
Balance at beginning of year	13,649	1,610,251
Cancellation of share swap agreement (see Note 41)	-	(1,559,847)
Write-off/others	9,706	(36,755)
Balance at end of year	23,355	13,649
	P2,041,303	P1,887,379

As at December 31, 2013, 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 P198.0 million were reclassified to "Club shares - at cost" in the consolidated statement of financial position.

Dividend income realized from AFS investments amounted to P23.2 million and P22.4 million in 2015 and 2014, respectively (see Note 29).

Proceeds from sale of AFS investments in 2015 amounted to P358.2 million (see Note 36).

17. Investment Properties

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Land (see Note 25)	P1,540,961	P1,540,962
City of Dreams Manila building phase 2 - construction in progress (CIP) (see Note 25)	-	2,891,315
	P1,540,961	P4,432,277



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, borrowing costs amounting to ₱191.3 million has been capitalized as part of investment properties under construction (see Notes 23 and 25). The average capitalization rates used were 3.9% in 2014. Movements in investment properties are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Balance at beginning of year	₱4,432,277	₱2,958,707
Additions	3,368,676	1,393,285
Capitalized borrowing costs, including amortization of debt discount (see Notes 23 and 25)	-	80,285
Derecognized asset under finance lease	(6,259,992)	-
Balance at end of year	₱1,540,961	₱4,432,277

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). Construction cost of the City of Dreams Manila building phase 2, amounting to ₱6.3 billion, was derecognized and accounted for as finance lease in 2015 (see Note 38). Related estimated liability on construction costs amounted to ₱2.6 billion and ₱1.0 billion as at December 31, 2015 and 2014, respectively. Resulting gain on initial recognition of the finance lease amounted to ₱2.3 billion was separately shown in the 2013 consolidated statement of comprehensive income.

The carrying value of the investment properties approximates the aggregate fair value as of December 31, 2015 and 2014. 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.

18. Property and Equipment

The rollforward analysis of this account follows:

	2015							
	Lottery Equipment	Land and Leasehold Improvements	Machinery and Equipment	Condominium Units and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Construction- in-progress	Total
	<i>(In Thousands)</i>							
Cost								
Balance at beginning of year	₱323,478	₱276,078	₱239,303	₱243,787	₱66,467	₱163,567	₱45,944	₱1,358,624
Additions	277,265	6,345	5,600	750	12,650	20,066	43,581	366,257
Disposal	-	-	-	-	(26,214)	(22,036)	-	(48,250)
Balance at end of year	600,743	282,423	244,903	244,537	52,903	161,597	89,525	1,676,631
Accumulated Depreciation, Amortization and Impairment Loss								
Balance at beginning of year	62,366	249,090	173,050	175,274	27,334	94,693	-	781,807
Depreciation and amortization for the year (see Notes 30, 33 and 34)	77,264	10,781	12,473	10,769	15,422	25,215	-	151,924
Disposal	-	-	-	-	(17,790)	(10,026)	-	(27,816)
Balance at end of year	139,630	259,871	185,523	186,043	24,966	109,882	-	905,915
Net Book Value	₱461,113	₱22,552	₱59,380	₱58,494	₱27,937	₱51,715	₱89,525	₱770,716



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
<i>(In Thousands)</i>								
Cost								
Balance at beginning of year	P-	₱252,248	₱226,289	₱243,769	₱39,304	₱78,998	₱5,082	₱845,690
Assets of subsidiary accounted under acquisition method (see Note 20)	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
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 30, 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

Allowance for impairment loss on property and equipment amounted to ₱186.3 million as at December 31, 2015 and 2014.

The Company has disposed of certain property and equipment at a loss of ₱0.4 million in 2015, and at a gain of ₱0.5 million and ₱72.0 million in 2014 and 2013, respectively (see Note 36).

The cost of fully depreciated property and equipment which are still being used amounted to ₱378.9 million and ₱362.6 million as at December 31, 2015 and 2014, respectively. The Company has no idle assets as at December 31, 2015 and 2014.

19. 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 rollforward analysis of this account follows:

	2015	2014
<i>(In Thousands)</i>		
Balance at beginning of year	₱5,249,552	₱5,260,916
Amortization during the year (Note 31)	(279,211)	(11,364)
Balance at end of year	₱4,970,341	₱5,249,552

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, 2015 and 2014, amortization of intangible asset was presented under "Cost of gaming operations" in the 2015 and 2014 consolidated statements of comprehensive income (see Note 31).



20. 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 <i>(In Thousands)</i>
Fair value of investment before obtaining control	₱2,464,016
Less total investment carrying value before obtaining control:	
Cost of investment before obtaining control	767,078
Accumulated equity in net earnings of Pacific Online before obtaining control	600,150
	<u>1,367,228</u>
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 fair values of the identifiable assets and liabilities as at the date of the acquisition follow:

	Fair Values <i>(In Thousands)</i>
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 18)	384,453
Other noncurrent assets	59,717
Total identifiable assets	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 21)	1,717,644
	<u>3,055,984</u>
Non-controlling interest measured at proportionate share of the fair value	(665,879)
	<u>₱2,390,105</u>



	Amount
	<i>(In Thousands)</i>
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 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 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 income for 2015 are ₱1,718.3 million and ₱346.1 million, respectively. Total revenue and net income of Pacific Online included in the consolidated statement of comprehensive income for 2014 are ₱1,030.3 million and ₱123.1 million, respectively.

The net cash outflow on the acquisition is as follows:

	Amount
	<i>(In Thousands)</i>
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 fair values of the identifiable assets and liabilities as at the date of the acquisition follow:

	Fair Values
	<i>(In Thousands)</i>
Cash and cash equivalents	P38,685
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 21)	110,934
Purchase consideration transferred	P132,560
	Amount
	<i>(In Thousands)</i>
Total consideration	P350,000
Consideration allocated to the cost of settlement of a pre-existing relationship	(217,440)
	P132,560

The goodwill of P110.9 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 P22.0 million and P20.3 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 allocation of the consideration based on relative fair values of FRI's businesses is as follows:

	Fair Market Values	Allocation Rate	Consideration
	<i>(In Thousands)</i>		<i>(In Thousands)</i>
Business combination - distribution business	P134,174	38%	P132,560
Settlement of a pre-existing relationship - consultancy business	220,088	62%	217,440
	P354,262		P350,000

The total consideration of P350.0 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, P217.4 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 P13.0 million and P2.1 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 P1.1 million and P0.2 million, respectively.



The net cash outflow on the acquisition is as follows:

	Amount
	<i>(In Thousands)</i>
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)
	<u>₱311,315</u>

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."

21. Goodwill

Goodwill acquired from business combinations as at December 31, 2015 and 2014 consist of:

	Amount
	<i>(In Thousands)</i>
Acquisition of:	
Pacific Online (see Note 20)	₱1,717,644
FRI (see Note 20)	110,934
	<u>₱1,828,578</u>

The goodwill from the acquisition of Pacific Online and FRI have been subjected to the annual impairment review in 2015. The Company did not identify any impairment indicators relating to Pacific Online's and FRI's goodwill as at December 31, 2015 and 2014 as it expects to realize the synergies from the business combinations.

Goodwill is subject to annual impairment testing. The recoverable amounts of the operations of Pacific Online and FRI has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management.

Key Assumptions Used in Value in Use Calculations

The calculation of value in use for the cash-generating units are most sensitive to the following assumptions explained as follows:

Pacific Online

Discount Rate. Discount rate reflect management's estimate of the risks specific to the cash generating unit. The pre-tax discount rate of 7.56% was used in 2015 based on the weighted average cost of capital of Pacific Online.



Terminal Values and Growth Rate. Terminal values included in the value in use computations as at December 31, 2015 amounted to 7,753.0 million. The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts is 0%.

FRI

Discount Rate. Discount rate reflect management's estimate of the risks specific to the cash-generating unit by applying a suitable weighted average cost of capital. The pre-tax discount rate used for the cash-generating unit is 12.64%.

Growth Rate. Growth rates and operating margins used to estimate future performance are equally based on past performance and experience of growth rates and operating margins achievable in the relevant industry. The range of terminal growth rate applied was 8.55% to 8.59%.

22. Other Noncurrent Assets

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Deferred input VAT	₱637,997	₱711,779
Guarantee bonds (see Notes 24 and 41)	45,000	40,000
Refundable deposits and construction bond (see Note 38)	18,236	17,930
Others	8,934	8,375
	₱710,167	₱778,084

23. Loans Payable

Loans payable represents peso-denominated loans obtained from local banks with interest of 4.3% in 2015 and ranging from 3.8% to 5.5% in 2014. Loans payable have historically been renewed or rolled-over.

The Parent Company availed unsecured loans amounting to ₱1,000.0 million and made principal payments amounting to ₱3,000.0 million in 2015. The carrying amount of outstanding loans payable amounted to ₱1,000.0 million and ₱3,000.0 million as at December 31, 2015 and 2014, respectively.

Interest expense on loans payable charged to operations amounted to ₱39.5 million, ₱75.1 million and ₱40.0 million in 2015, 2014 and 2013 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 2015 and 2013 (see Note 17).



24. Trade and Other Current Liabilities

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Trade	₱1,331,097	₱1,694,049
Accrued expenses:		
Land transfer fees	68,743	57,132
Selling	46,472	68,806
Professional and management fees	53,239	51,499
Others	195,286	287,446
Deferred income	223,795	195,001
Payables pertaining to land acquisitions (see Note 12)	131,024	166,074
Advances from related parties (see Note 40)	72,788	75,267
Customers' deposits	50,591	22,473
Consultancy, software and license and management fees payable	37,484	17,088
Refundable deposit and others	225,456	295,505
	₱2,435,975	₱2,930,340

- Trade payables are non-interest bearing with an average term of 90 days.
- Accrued expenses pertain to accruals for land transfer fees, professional and management fees, selling, interest, salaries, communication, rent and utilities and other expenses 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 ₱68.5 million in 2015 and ₱46.6 million in 2014 (see Note 30).



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 provided 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 provided 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.

On November 20, 2015, Pacific Online and Scientific Games further amended the CVMOLS, extending the term of the contract from September 1, 2015 until July 31, 2018 and for Scientific Games to supply 1,500 brand new terminals to the Parent Company. The amended contract also removed the provision for the Inactive Terminal Fee of US\$25.00 per terminal per month for any additional terminals not connected to the software provided by Scientific Games.

Software and license fees amounted to ₱59.7 million in 2015 and ₱36.2 million in 2014 (see Note 30).

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 provided 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 paid 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.

As at the date of the auditor's report, the amendment to the contract is still under negotiation between Pacific Online and Intralot. In the meantime, the parties have provisionally agreed to use the old lease rate agreed upon on the amendment dated September 6, 2013.

Software and license fees amounted to ₱113.0 million in 2015 and ₱45.4 million in 2014 (see Note 30).

- 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 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 22).

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 ₱22.9 million in 2015 and ₱28.1 million in 2014 were presented as part of "Management and professional fees" account under "General and administrative expenses" in the consolidated statements of comprehensive income (see Note 34).



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, 2015 and 2014, the Parent Company is in compliance with the terms of its loan covenants.

Repayment Schedule

The repayment schedules of long-term debt are as follows:

	2015	2014
	<i>(In Thousands)</i>	
2015	₱-	₱12,500
2016	362,500	150,000
2017	885,096	150,000
2018	933,013	150,000
2019	1,973,638	1,250,000
2020	830,128	37,500
	₱4,984,375	₱1,750,000

Interest expense on loans from long-term debt amounting to ₱30.5 million and ₱111.0 million in 2014 and 2013, respectively, were capitalized as part of “Investment properties” account in the consolidated statements of financial position (see Note 17).

26. 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 a settlement amount (“Settlement”) 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).

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 Settlement. In 2015, ABLGI advanced additional ₱780.0 million. Such liability shall be accreted over the lease term using the EIR method.

The interest component of the ABGLI advance amounting to ₱651.7 million and ₱533.3 were recognized as “Accretion of nontrade liability” in the 2015 and 2014 consolidated statements of comprehensive income. Payments made to ABLGI amounted to ₱377.9 million and ₱292.1 million in 2015 and 2014, respectively.

The carrying value of nontrade liability amounted to ₱5,295.1 million and ₱4,241.3 million as at December 31, 2015 and 2014, respectively.



27. Equity

Capital Stock

The composition of the Parent Company's common shares of stock follows:

	2015		2014	
	Number of Shares	Amount	Number of Shares	Amount
Authorized - P1 par value	14,000,000,000	₱14,000,000,000	14,000,000,000	₱14,000,000,000
Issued and outstanding	10,518,853,857	10,518,853,857	10,559,382,799	10,559,382,799

In 2015, the Parent Company issued additional 1,617,058 common shares at the offer price of ₱1.00 per share.

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
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

(Forward)



Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
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
October 6, 2015	–	1,617,058	1.00
	14,000,000,000	10,560,999,857	

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 stock 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 1,832 and 1,855 as at December 31, 2015 and 2014, respectively.

Treasury Shares

During 2015, the Parent Company has repurchased a total of 42,146,000 Parent Company common shares at a total cost amounting to ₱134.4 million

Cost of Parent Company Shares Held by Subsidiaries/Associates

Details of this account as at December 31 follow:

	2015	2014
	<i>(In Thousands)</i>	
Cost of Parent Company Common and Preferred Held by Subsidiaries/Associates	₱1,647,290	₱1,502,486
Loss on Disposal of Parent Company Common Shares Held by Subsidiaries/Associates	104,839	104,839
	₱1,752,129	₱1,607,325

Parallax, SLW, PLC, Pacific Online and other subsidiaries collectively hold 353,271,183 and 314,415,819 common shares of the Parent Company as at December 31, 2015 and 2014, respectively. These are presented as “Cost of Parent Company common and preferred shares held by subsidiaries” in the consolidated statements of financial position.



Non-controlling Interests

In 2015 and 2014, subsidiaries of the Parent Company acquired and sold interest in fellow subsidiaries. These were accounted for as equity transactions with a corresponding adjustment to non-controlling interest.

Acquisition of non-controlling interests related to these transactions amounted to ₱74.9 million and ₱231.7 million in 2015 and 2014, respectively. Disposals, on the other hand, of non-controlling interest, particularly in Pacific Online, amounted to ₱254.7 million in 2014.

Retained Earnings

The Parent Company's retained earnings available for dividend declaration, computed based on the regulatory requirements of SEC amounted to ₱4,808.3 million and ₱6,378.5 million as at December 31, 2015 and 2014, 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 in net earnings of associates. 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 January 27, 2015, the Parent Company's Board of Directors ("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. On July 31, 2015, the Parent Company's BOD approved the declaration of dividend of ₱0.095 per share, totaling ₱1,001.8 million, payable on August 28, 2015 to stockholders of record as of August 14, 2015. Total dividends above are inclusive of dividends paid to related party shareholders amounting to ₱89.8 million.

On April 28, 2014, the Parent Company's BOD approved the declaration of cash dividends of Two Centavos (₱0.02) 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 February 29, 2016, the Parent Company's BOD approved the declaration of cash dividends of Nine-and-a-Half Centavos (₱0.095) per share, approximately totaling ₱1,000.0 million. The record date to determine the shareholders entitled to receive the cash dividends was set to March 14, 2016 with the payment set on March 29, 2016.

28. 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:

	2015	2014
	<i>(In Thousands)</i>	
Gaming revenue share - gross	₱1,008,317	₱45,674
Less PAGCOR license fee paid by MELCO	(252,079)	(6,865)
Gaming revenue share - net	₱756,238	₱38,809

As of December 31, 2015 and 2014, the uncollected gaming revenue share recognized under "Receivables - net" in the consolidated statements of financial position amounted to ₱136.3 million and ₱38.8 million respectively (see Note 11).

29. Other Revenue

This account consists of:

	2015	2014	2013
	<i>(In Thousands)</i>		
Commission and distribution income	₱180,499	₱81,578	₱1,489
Amortization of discount on trade receivables (see Note 11)	56,768	9,954	32,280
Income from forfeitures	60,712	39,978	10,800
Dividend income	23,209	22,443	-
Income from playing rights	6,620	2,143	3,304
Penalty	2,593	2,398	8,720
Others	2,478	3,230	3,027
	₱332,879	₱161,724	₱59,620

Commission and distribution income is recognized as a certain percentage of sales of PCSO lottery, sweepstakes and instant scratch tickets.

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.

30. Cost of Lottery Services

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Software and license fees (see Note 24)	₱172,672	₱81,654
Operating supplies	159,183	45,339
Communication fees	87,195	63,780
Depreciation and amortization (see Note 18)	73,128	68,643
Consultancy fees (see Note 24)	68,457	46,605
Online Lottery System Expenses	34,507	-
	₱595,142	₱306,021

31. Cost of Gaming Operations

This account consists of:

	2015	2014
	<i>(In Thousands)</i>	
Amortization of intangible asset (Note 19)	P279,211	P11,634
Consultancy fees (Note 41)	76,003	7,075
Marketing expenses	11,760	-
Payroll-related expenses	9,811	-
Representation and entertainment	2,628	-
Transportation and travel	2,610	-
	P382,023	P18,709

32. Cost of Real Estate and Club Shares Sold

This account consists of:

	2015	2014	2013
	<i>(In Thousands)</i>		
Materials and labor	P100,466	P80,057	P58,301
Land	37,396	29,799	21,701
Cost of club shares sold	-	-	23,735
Overhead and others	20,080	16,000	11,652
	P157,942	P125,856	P115,389

33. Cost of Services for Property Management

This account consists of:

	2015	2014	2013
	<i>(In Thousands)</i>		
Water services	P51,224	P61,328	P16,014
Power and maintenance	28,984	26,724	44,255
	P80,208	P88,052	P60,269

The cost of services for property management includes depreciation and amortization amounting to P11.7 million in 2015 and P8.3 million in 2014. There was no depreciation and amortization recognized under "Cost of services for property management" in 2013.

34. General and Administrative Expenses

This account consists of:

	2015	2014	2013
	<i>(In Thousands)</i>		
Personnel costs (see Notes 39 and 40)	₱306,547	₱194,728	₱83,992
Management and professional fees (Notes 40 and 41)	102,651	66,272	22,546
Rentals and utilities (see Notes 38 and 40)	92,596	54,708	41,245
Transportation and travel	89,910	69,101	4,864
Taxes and licenses	67,530	98,071	30,339
Depreciation and amortization (see Note 18)	67,102	52,001	34,939
Representation and entertainment	49,837	25,017	4,636
Marketing and advertising (see Note 40)	47,793	84,078	60,240
Communication	20,936	1,839	1,380
Repairs and maintenance	20,590	13,440	20,280
Selling expenses	20,042	19,741	23,914
Security and janitorial	19,813	11,751	14,379
Registration fees	9,615	4,224	2,778
Insurance	2,012	985	840
ABLGI payments (see Note 26)	-	-	283,501
Others	33,440	35,552	8,966
	₱950,414	₱731,508	₱638,839

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

Personnel Costs

	2015	2014	2013
	<i>(In Thousands)</i>		
Salaries and wages	₱267,484	₱170,585	₱70,833
Pension costs (see Note 39)	20,241	8,913	5,318
Employee benefits and others	18,822	15,230	7,841
	₱306,547	₱194,728	₱83,992

35. Interest Income and Interest Expense

The sources of the Company's interest income follow:

	2015	2014	2013
	<i>(In Thousands)</i>		
Cash in banks (see Note 9)	₱3,659	₱9,869	₱2,024
Cash equivalents (see Note 9):			
With related banks (see Note 40)	22,050	6,666	10,569
With other banks	7,501	500	514
HTM investments (see Note 40)	–	12,944	38,725
Escrow fund (see Note 41)	–	–	4,112
Others	1,260	–	168
	₱34,470	₱29,979	₱56,112

The sources of the Company's interest expense follow:

	2015	2014	2013
	<i>(In Thousands)</i>		
Long-term debt (see Notes 25 and 40)	₱218,493	₱8,841	₱33,955
Loans payable (see Notes 23 and 40)	39,549	75,078	40,036
Finance lease obligation	10,883	8,923	–
Assignment of receivables	774	2,725	25,653
Others	4,278	3,156	4,208
	₱273,977	₱98,723	₱103,852

36. Other Income (Charges)

This account consists of:

	2015	2014	2013
	<i>(In Thousands)</i>		
Gain on sale of available-for-sale investments (see Note 16)	₱90,342	₱–	₱–
Unrealized mark-to-market gain on investments held for trading (see Note 10)	(43,464)	34,206	–
Bank service charges	(42,388)	(29,292)	(3,799)
Excess input VAT	23,631	10,997	–
Gain on sale of investments held for trading (see Note 10)	7,439	22,296	–
Reversal of (provision for) allowance: Probable loss on other assets - net (see Note 14)	34,951	(9,034)	(4,418)
Doubtful accounts on trade and other receivables (see Note 11)	(32,437)	(5,492)	(352)
Doubtful accounts on advances to associates (see Note 15)	–	(40)	–

(Forward)

	2015	2014	2013
	<i>(In Thousands)</i>		
Reversal of (provision for) allowance:			
Impairment on investment in associates (see Note 15)	₱255	₱-	₱-
Impairment on advances to related parties (see Note 40)	-	-	4,137
Gain on sale of other assets (see Note 14)	1,850	-	-
Gain (loss) on sale of property and equipment (see Note 18)	(397)	451	72,026
Gain on sale of held-to-maturity investments	-	31,353	-
Recycling of share in cumulative translation adjustments of AFS financial asset (see Note 41)	-	(58,319)	-
Proceeds from insurance claims	-	20,684	-
Others - net	4,609	(3,063)	13,458
	₱44,391	₱14,747	₱81,052

37. Income Taxes

The provision for current income tax consists of the following:

	2015	2014	2013
	<i>(In Thousands)</i>		
RCIT	₱284,785	₱134,470	₱303,870
MCIT	21,511	18,586	-
Capital gains tax (CGT)	-	26,887	1,707
	₱306,296	₱179,943	₱305,577

As at December 31, 2015, the Parent Company can claim the carryforward benefit of NOLCO amounting to ₱531.6 million incurred in 2014 as deduction against future taxable income until 2017. As at December 31, 2015, the Parent Company can claim the carryforward benefits of excess MCIT over RCIT amounting to ₱21.5 million incurred in 2015 and ₱18.6 million incurred in 2014 as deduction against future taxable income until 2018 and 2017, respectively. The carryforward benefit of excess MCIT over RCIT as at December 31, 2012 amounting to ₱17.8 million was claimed by the Parent Company as tax credit against regular income tax in 2013.

As at December 31, 2015, PLC can claim the carryforward benefits of NOLCO amounting to ₱0.1 million, ₱24.6 million and ₱0.1 million incurred in 2015, 2014 and 2013, respectively, as deduction against future taxable income until 2018, 2017 and 2016, respectively. As at December 31, 2015, PLC can claim the carryforward benefit of excess MCIT over RCIT amounting to ₱0.6 million incurred in 2015 against future taxable income until 2018.

For the year ended December 31, 2015 and 2014, PLAI elected to use Optional Standard Deduction in computing its taxable income.

As at December 31, 2015, LotoPac can claim the carryforward benefits of NOLCO amounting to ₱0.1 million, ₱0.2 million and ₱0.1 million incurred in 2015, 2014 and 2013, respectively, as deduction against future taxable income until 2018, 2017 and 2016, respectively.

The components of deferred tax assets of the subsidiaries are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Accrued expenses	₱29,759	₱25,995
Unamortized past service costs	2,288	5,727
Pension liability	9,240	5,321
Allowance for impairment losses on trade and other receivables	718	1,811
Unrealized foreign exchange loss	256	651
Others	-	1,729
	₱42,261	₱41,234

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

	2015	2014
	<i>(In Thousands)</i>	
Deferred tax assets:		
Construction cost	₱3,211,999	₱1,692,294
Estimated liability on construction costs	767,051	310,508
NOLCO	159,473	170,205
Nontrade liability	154,517	72,377
MCIT	40,097	18,586
Deferred lease income	39,157	30,519
Discount on trade receivables	16,608	16,979
Accrued selling expenses	13,942	18,057
Unrealized profit on sale of club shares to associates	9,327	9,327
Doubtful accounts	7,140	-
Pension liability	1,332	-
Unamortized past service costs	1,324	1,523
Accretion of refundable deposits	997	1,054
Accrued rent	576	739
Net unrealized foreign exchange loss and others	-	14,587
	4,423,540	2,356,755
Deferred tax liabilities:		
Finance lease receivable	(5,143,576)	(2,876,848)
Accumulated depreciation	(205,480)	(71,808)
Unrealized gain on sale of real estate	(87,656)	(38,555)
Accrued rent	(71,099)	(47,746)
Unaccreted discount on refundable deposits	(41,204)	(31,733)
Capitalized rent expense	(25,501)	(26,936)
Deferred lease expense	(869)	(946)
Deferred income on real estate sales	(797)	(797)
Capitalized interest expense	-	(57,393)
Unrealized gain on AFS financial asset	-	(9,735)
Pension asset	-	(331)
Unrealized foreign exchange gain - net	(13,462)	(156)
	(5,589,644)	(3,162,984)
Net deferred tax liability	(₱1,166,104)	(₱806,229)

The components of the Company's temporary differences as at December 31, 2015 and 2014 for which deferred tax assets were not recognized follows:

	2015	2014
	<i>(In Thousands)</i>	
Allowances for:		
Impairment of project development costs	₱2,136,820	₱2,136,820
Doubtful accounts	607,527	607,912
Impairment losses	357,113	362,543
Probable losses	95,852	95,852
NOLCO	25,273	43,637
Excess MCIT over RCIT	601	-
	₱3,223,186	₱3,246,764

The deferred tax assets of the above temporary differences amounting to ₱934.0 million and ₱942.5 million as at December 31, 2015 and 2014, 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 accounted for as finance lease are treated as 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:

	2015	2014	2013
	<i>(In Thousands)</i>		
Income tax at statutory income tax rate of 30%	₱628,153	₱807,043	₱1,490,914
Income tax effects of:			
Nondeductible expenses and others	49,319	41,030	11,942
Nontaxable income	(21,990)	(744,753)	(223,256)
MCIT	21,511	18,586	-
Mark-to-market loss (gain) on securities	13,039	(9,912)	-
Income subjected to final tax	(12,155)	(7,018)	(16,781)
Change in unrecognized deferred tax assets	(8,543)	1,606	69,003
Income subjected to capital gains tax	-	26,887	1,707
	₱669,334	₱133,469	₱1,333,529

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

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 average 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 for phase 1 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.

In 2015, the Company initially recognized a finance lease receivable amounting to ₱6,585.0 million for the building structures for phase 2.

As at December 31, 2015 and 2014, the nominal amount of minimum lease payments and the carrying value of finance lease receivable are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Within one year	₱1,503,473	₱774,531
In more than one year and not more than five years	7,543,652	5,157,185
In more than five years	37,910,938	29,020,448
	46,958,063	34,952,164
Unearned finance income	(29,812,809)	(25,362,672)
Net investment (present value of the minimum lease payments)	17,145,254	9,589,492
Current portion of receivables under finance lease	1,419,651	722,745
Noncurrent portion of receivables under finance lease	₱15,725,603	₱8,866,747

Interest income on finance lease amounted to ₱1,917.4 million, ₱1,409.2 million and ₱1,177.6 million in 2015, 2014 and 2013, respectively.

Operating Lease

The Parent Company recognized lease income on the lease of land by MCE Leisure amounting to ₱182.6 million in 2015 and 2014, and ₱152.1 million in 2013, respectively.

As at December 31, 2015 and 2014, the minimum lease payments of the Parent Company on the lease on the land are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Within one year	₱112,056	₱104,727
In more than one year and not more than five years	572,080	520,069
In more than five years	2,763,017	2,927,084
	₱3,447,153	₱3,551,880

The Company carried receivables relating to these leases of ₱357.1 million and ₱239.5 million under the "Receivables - net" account in the consolidated statements of financial position as at December 31, 2015 and 2014, respectively (see Note 11).

Costs incurred for these leases, which consists of taxes, property insurance and other costs, are presented under "Cost of lease income" account in the consolidated statements of comprehensive income.

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 ₱937.1 million in 2015 and ₱574.7 million in 2014 is recorded under "Equipment rental and instant scratch ticket sales" in the 2015 and 2014 consolidated statements of comprehensive income, respectively. Future minimum rental income for the remaining lease term amounted to ₱369.6 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 ₱522.2 million in 2015 and ₱254.0 million in 2014 is recorded under "Equipment rental and instant scratch ticket sales" in the 2015 and 2014 consolidated statements of comprehensive income, respectively. Future minimum rental income for the remaining lease terms are as follows:

	Amount
	<i>(In Thousands)</i>
Within one year	₱70,800
After one year but not more than five years	189,900

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 TGFI 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 statements of financial position with carrying amount of ₱128.4 million and ₱123.3 million as at December 31, 2015 and 2014, respectively.

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

	2015	2014
	<i>(In Thousands)</i>	
Within one year	₱27,056	₱16,356
After one year but not more than five years	89,068	76,494
More than five years	12,766	–
Total future minimum lease payments	128,890	92,850
Less amount representing interest	10,335	–
Present value of lease payments	118,555	92,850
Less current portion of obligations under finance lease	25,028	16,356
Noncurrent portion of obligations under finance lease	₱93,527	₱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 consolidated statements of comprehensive income.

The contract of TGFI 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 are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Within one year	₱181	₱928
After one year but not more than five years	-	198
Total future minimum lease payments	181	1,126
Less amount representing interest	8	-
Present value of lease payments	173	1,126
Less current portion of installment payable	173	928
Noncurrent portion of installment payable	₱-	₱198

Other Operating Lease Agreements

The Parent Company entered into a lease agreement for a parcel of land situated in Aseana Business Park, Parañaque City. The 20,218 square meter land area lease shall be for a period of 10 years commencing on April 23, 2010, inclusive of two years construction period. Rental payments are subject to escalation as stated in the agreement. The contract may be renewed or extended by written agreement of the parties and upon such terms and conditions that are mutually acceptable to them. The Parent Company also paid ₱4.4 million refundable deposit which formed part of "Other noncurrent assets - others" in the consolidated statements of financial position (see Note 22). 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 2015, 2014 and 2012 (see Note 34). The Company also paid ₱2.4 million refundable deposit which is included as part of "Other noncurrent assets" account in the consolidated statements of financial position (see Note 22).

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 each in 2015 and 2014, and ₱1.1 million in 2013, respectively (see Note 34).

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

	2015	2014
	<i>(In Thousands)</i>	
Within one year	₱44,486	₱41,780
After one year but not more than five years	157,086	161,232
After more than five years	857,248	897,588
Total	₱1,058,820	₱1,100,600

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, 2015.

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 statements of comprehensive income and the pension asset and pension liability recognized in the consolidated statements of financial position.

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

	2015	2014	2013
	<i>(In Thousands)</i>		
Current service cost	₱19,566	₱11,114	₱5,578
Interest cost on defined benefit obligation	7,151	3,279	3,900
Interest income on plan assets	(6,480)	(5,535)	(4,166)
Interest on the effect of asset ceiling	4	55	6
	₱20,241	₱8,913	₱5,318

Remeasurement Loss (Gain) (recognized in "Other Comprehensive Income")

	2015	2014	2013
	<i>(In Thousands)</i>		
Remeasurement (gain) loss on defined benefit obligation	(₱15,365)	₱24,343	(₱4,455)
Remeasurement (gain) loss on plan assets	5,378	(50)	(2,439)
Remeasurement (gain) loss on changes in the effect of the asset ceiling	941	(1,115)	1,014
	(₱9,046)	₱23,178	(₱5,880)

Pension Asset

	2014
	<i>(In Thousands)</i>
Fair value of plan assets	₱75,845
Defined benefit obligation	(74,679)
Funded status - surplus	1,166
Effect of asset ceiling	(63)
	₱1,103

Pension Liability

	2015	2014
	<i>(In Thousands)</i>	
Defined benefit obligation	₱136,581	₱70,638
Fair value of plan assets	(122,663)	(51,851)
Effect of asset ceiling	(1,572)	-
	₱12,346	₱18,787

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

	2015	2014
	<i>(In Thousands)</i>	
Balance at beginning of the year	₱145,317	₱62,270
Interest cost	7,151	3,279
Current service cost	19,566	11,114
Benefits paid from plan assets	(21,135)	(3,110)
Actuarial loss (gain) due to:		
Experience adjustments	2,391	9,778
Actuarial gain on changes in financial assumptions	(18,052)	14,872
Actuarial gain on changes in demographic assumptions	296	(307)
Acquisition of a subsidiary accounted under acquisition method	-	47,421
Other adjustments	1,047	-
Balance at end of the year	₱136,581	₱145,317

Changes in the fair value of plan assets are as follows:

	2015	2014
	<i>(In Thousands)</i>	
Balance at the beginning of the year	₱127,696	₱75,908
Acquisition of a subsidiary accounted under acquisition method	-	34,313
Interest income	6,480	5,535
Contributions	15,000	15,000
Benefits paid	(21,135)	(3,110)
Return on plan assets (excluding amounts included in net interest)	(5,378)	50
Balance at end of the year	₱122,663	₱127,696
Unfunded status - net	(₱10,774)	(₱17,621)
Pension liability	12,346	18,787
Funded status - surplus	1,572	1,166
Effect of asset ceiling	(1,572)	(63)
Pension asset	₱-	₱1,103

Parent Company Retirement Plan

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

	2015	2014
Discount rates	6.23%	5.73%
Future salary increases	9.00%	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:

	2015		2014	
	Increase (Decrease) in Basis Points	Amount <i>(In Thousands)</i>	Increase (Decrease) in Basis Points	Amount <i>(In Thousands)</i>
Discount rate	100 (100)	(P1,172) 1,290	100 (100)	(P1,848) 2,031
Salary increase rate	100 (100)	880 (804)	100 (100)	1,484 (1,374)

As at December 31, 2015, the weighted average duration of the pension liability of Parent Company is 4.5 years.

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:

	2015	2014
Investments in fixed income securities	48%	43%
Investments in unit investment trust funds	18%	33%
Investments in mutual funds	8%	-
Others	26%	24%
	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 P64.3 million and P75.9 million as at December 31, 2015 and 2014, respectively. The fund's assets are comprised of: (i) cash in bank; and (ii) investment in treasury bonds of government securities, equity securities of private corporations, mutual funds and unit investment trust funds.

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

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

Year	Amount
	<i>(In Thousands)</i>
2016	₱14,939
2017	16,476
2018	2,549
2019	9,274
2020	14,414
2021-2025	19,962

The Parent Company does not expect to contribute to the retirement fund in the next financial year.

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

Pacific Online and Subsidiaries Retirement Plans

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

	2015		
	Pacific Online	LCC	TGTI
Discount rates	4.89%	4.89%	4.89%
Future salary increases	8.00%	5.00%	10.00%

	2014		
	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:

	2015	
	1 Percent Increase	1 Percent Decrease
	<i>(In Thousands)</i>	
Discount rate	(₱8,625)	₱10,853
Salary increase rate	9,815	(8,048)

	2014	
	1 Percent Increase	1 Percent Decrease
	<i>(In Thousands)</i>	
Discount rate	(₱5,545)	₱8,186
Salary increase rate	6,685	(5,008)

As at December 31, 2015, 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:

Period	Expected Benefit Payments			Total
	Pacific Online	LCC	TGTI	
	<i>(In Thousands)</i>			
2016	₱698	₱2,278	₱1,713	₱4,689
2017	–	–	–	–
2018	1,022	–	1,078	2,100
2019	3,111	327	2,579	6,017
2020	6,824	–	758	7,582
2021-2025	10,320	221	322	10,863

Pacific Online and LCC expects to contribute ₱10.0 million to the defined benefit plan in 2016. TGTI on the other hand is still in the process of funding its defined benefit plan.

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).

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, 2015. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2015. 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 Pacific Online 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:

	2015	2014
Investments in fixed income securities	40%	26%
Investments in unit investment trust funds	14%	48%
Others	46%	26%
	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, 2015 and 2014.

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 the ordinary course of business, the Company has transactions with related parties which consist mainly of extension or availment of noninterest-bearing advances. The outstanding balances at year-end are due and demandable. There have been no guarantees provided or received for any related party receivables or payables. Related party transactions are generally settled in cash.

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

Other Transactions with Associates and Related Companies

The Company has the following significant related party transactions with associates and other related parties:

Related Party	Relationship	Transaction	Transaction Amounts	Outstanding Balance	Terms	Condition	
<i>(In Thousands)</i>							
APC	Associate	Advances to associate	2015 2014	₱142 62	₱79,772 3,754,630	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱79,452 in 2015 and 2014
Belle Jai Alai	Associate	Advances to associate	2015 2014	- -	29,398 29,398	Noninterest-bearing, due and demandable	Unsecured, no allowance
WDC	Associate	Advances to associate	2015 2014	- -	54,334 54,334	Noninterest-bearing, due and demandable	Unsecured, fully provided in 2015 and 2014
Others	Associate	Advances to associates	2015 2014	2 -	11,604 11,486	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱1,447 in 2015, fully provided in 2014

(Forward)

Related Party	Relationship	Transaction	Transaction Amounts	Outstanding Balance	Terms	Condition	
<i>(In Thousands)</i>							
Tagaytay Highlands	With common set of directors	Advances to other related parties	2015 2014	₱6 10,687	₱459 12,774	Noninterest-bearing, due and demandable	Unsecured, no allowance
Country Club	With common set of directors	Advances to other related parties	2015 2014	12,206 499	1,023 2,871	Noninterest-bearing, due and demandable	Unsecured, no allowance
Others	With common set of directors	Advances to other related parties	2015 2014	39,663 3,191	20,214 18,775	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱7,494 in 2015 and 2014
TMGC1	With common set of directors	Advances from other related parties	2015 2014	19 2,259	(19) -	Noninterest-bearing, due and demandable	Unsecured
Belle Jai-Alai	Associate	Advances from associate	2015 2014	- -	(60,753) 60,753	Noninterest-bearing, due and demandable	Unsecured
Tagaytay Highlands	With common set of directors	Advances from other related parties	2015 2014	- 13	(10,849) (10,849)	Noninterest-bearing, due and demandable	Unsecured
Others	Associates	Advances from other related parties	2015 2014	1,167 -	(1,167) -	Noninterest-bearing, due and demandable	Unsecured
BDO	With common stockholders	Cash equivalents	2015 2014	- 1,219,727	100,407 2,429,914	Interest-bearing	Unsecured, not impaired
		Interest income on cash equivalents (see Notes 9 and 35)	2015 2014 2013	12,101 6,666 10,569	- - -	3.14% to 4.56% 3.14% to 4.56% 3.14% to 4.56%	Unsecured, not impaired
		Interest income on escrow fund (see Notes 35 and 41)	2013	4,112	-	0.62%-0.75%	Unsecured, not impaired
		Interest expense on short-term loans, gross of capitalized interest (see Notes 24 and 35)	2014 2013	19,156 40,036	- -	2.85% to 3.25% 4.25% to 5.12%	Secured
		Trade and other current liabilities	2014	61,523	(28,025)	Interest-bearing	Secured
		Long-term debt (see Note 25)	2014	535,800	-	Interest-bearing	Secured
		Interest expense on long-term debt (see Notes 18 and 35)	2014 2013	10,210 25,653	- -	3.75%-6.58% 3.75%-6.58%	Secured
SM Land, Inc.	With common stockholders	Operating lease (see Note 38)	2015 2014 2013	10,481 10,482 10,535	1,919 2,463 3,337	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 34)	2015 2014 2013	7,044 17,822 20,073	- - -	5 years	Not applicable
SMIC	Stockholder	HTM investments	2014	750,000	-	Interest-bearing, maturing in 7 and 10 years	Not applicable
		Interest income on HTM investments (see Notes 16 and 35)	2014 2013	12,944 38,725	- -	6.00%-6.94%	Not applicable
SM Prime Holdings, Inc.	Management fee	Management and professional fees (see Note 34)	2015 2014	14,765 12,500	- -	1 year, renewable	Not applicable
Belle shares Holdings, Inc.	Stockholders	Receivables	2014	31,891	-	Interest-free	Unsecured, interest-free
Directors and officers	Key management personnel	Receivables (see Note 11)	2015 2014	- -	- 1,138	interest-free	Unsecured, interest-free, partially provided amounting to ₱688
		Short-term employee benefits	2015 2014 2013	59,049 61,907 37,221	- - -	Not applicable	Not applicable
		Post-employment benefits	2015 2014 2013	16,603 5,478 3,964	- - -	Not applicable	Not applicable

The following table provides the summary of outstanding balances and transactions for the years ended December 31, 2015, 2014, and 2013 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

	2015	2014
Cash equivalents	₱100,407	₱1,219,727
Receivables	-	1,138
Advances to associates (see Note 15)	175,108	3,849,848
Advances to other related parties (see Note 11)	21,696	34,420
Advances from associates (see Note 24)	60,753	60,882
Advances from other related parties (see Note 24)	12,035	14,385
Operating lease payable	1,919	2,463
Assignment of receivables with recourse	-	28,026

Total Related Party Transactions

	2015	2014	2013
Commission income	₱-	₱891	₱-
Interest income on cash equivalents	12,101	6,666	10,569
Interest income on escrow fund	-	-	4,112
Interest income on HTM investments	-	12,944	38,725
Service fee	-	-	12,500
Interest expense on short-term loans	-	19,156	40,036
Interest expense on long-term debt	-	10,210	25,653
Short-term employee benefits	61,907	61,907	37,221
Post-employment benefits	5,478	5,478	3,964
Receivables Purchase Agreement	-	-	242,429
Sponsorship agreement	7,044	17,822	20,073
Management fee	14,765	12,500	-
Rent expense	10,481	10,482	10,535

Allowance provided on advances to associates charged to "Investments in and Advances to Associates" amounted to ₱145.3 million as at December 31, 2015 and 2014 (see Note 15).

Allowance for doubtful accounts of advances to related parties amounted to ₱7.5 million as at December 31, 2015 and 2014 (see Note 11). Provision for doubtful accounts on advances to related parties amounted to ₱4.1 million in 2013 (see Note 36).

Transactions with other related parties are as follows:

- The Parent Company entered into a renewable one-year 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 ₱18.0 million and ₱7.5 million in 2015 and 2014, respectively, and was eliminated in the 2015 and 2014 consolidated statements of comprehensive income. The fees are payable within 30 days upon the receipt of billing.

- 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 lease term is five years, with option to renew subject to mutually agreed upon terms and conditions. Rent is payable within 30 days upon receipt of the billing.
- The Parent 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 fees are payable within 30 days upon the receipt of billing.
- The Parent Company entered into a renewable one-year 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 ₱20.2 million, ₱7.5 million and ₱8.0 million in 2015, 2014 and 2013, respectively, and was eliminated in the consolidated statement of comprehensive income. The fees are payable within 30 days upon the receipt of billing.
- The Parent Company entered into a renewable one-year 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. The fees are payable within 30 days upon the receipt of billing.
- In 2014, the Parent Company entered into a renewable one-year management and professional service agreement with SM Prime Holdings, Inc. Management and professional fees charged by SM Prime Holdings, Inc. to the Parent Company amounted to ₱14.8 million and ₱12.5 million recognized under "General and administrative expenses" in the 2014 and 2015 consolidated statements of comprehensive income, respectively. The fees are payable within 30 days upon the receipt of billing.

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 3). 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.

Consultancy fees amounting to ₱76.0 million and ₱7.1 million in 2015 and 2014 was presented as part of “Cost of gaming operations” in the 2015 and 2014 consolidated statements of comprehensive income (see Note 31).

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 recycling of 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 statements of financial position (see Note 22).

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 February 29, 2016, 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

	2015	2014	2013
	<i>(In Thousands, Except EPS)</i>		
Earnings attributable to Equity holders of the Parent (a)	₱1,186,460	₱2,202,253	₱3,639,853
Weighted average number of issued common shares - basic, at beginning of year	10,559,383	10,559,383	10,559,383
Number of parent company common shares held by subsidiaries - basic, at beginning of year	(314,416)	(336,490)	(236,502)
Issued during the year	389	-	-
Treasury shares during the year	(15,673)	-	-
Acquisition of entities holding parent common shares	(22,462)	(35,773)	(69,033)
Weighted average number of issued common shares - basic, at end of year (b)	10,207,221	10,187,120	10,253,848
Basic/diluted EPS (a/b)	₱0.116	₱0.216	₱0.355

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 and obligations under finance lease. 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.

The Company's policy is to manage its interest cost by limiting its borrowings and entering only into borrowings at fixed interest rates.

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, 2015 and 2014, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	2015	2014
	<i>(In Thousands)</i>	
Cash and cash equivalents	\$1,078	\$295
Advances to contractors and suppliers*	15,000	-
Consultancy and software license fee payable**	(2,385)	(1,035)
Foreign currency-denominated financial assets (liabilities)	\$13,693	(\$740)

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

**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 ₱47.06 to US\$1.0 and ₱44.72 to US\$1.0, as at December 31, 2015 and 2014, respectively.

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

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rates, with all other variables held constant, of the Company's consolidated income before tax as at December 31, 2015 and 2014. There is no other impact on the Company's equity other than those already affecting the profit or loss in the consolidated statements of comprehensive income.

	2015		2014	
	Increase in US\$ Rate	Decrease in US\$ Rate	Increase in US\$ Rate	Decrease in US\$ Rate
<i>(In Thousands, Except Change in US\$ Rate)</i>				
Change in US\$ rate*	0.64	(0.64)	0.30	(0.30)
Effect on income before income tax	₱8,818	(₱8,818)	(₱219)	₱219

*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 and AFS financial assets in listed equities 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 2015 and 2014 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	2015	2014
<i>(In Thousands)</i>		
Impact in profit or loss		
5%	₱11,337	₱13,141
(5%)	(11,337)	(13,141)
Impact in other comprehensive income		
5%	₱101,177	₱93,987
(5%)	(101,177)	(93,987)

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, receivables, finance lease receivables, advances to associates and other related parties and AFS financial assets, deposits and guarantee, 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.

	2015						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days		
	(In Thousands)						
Cash and cash equivalents*	P3,561,955	P-	P-	P-	P-	P-	P3,561,955
Investments held for trading	226,747	-	-	-	-	-	226,747
Receivables:							
Trade	1,327,533	14,275	5,178	298	53,211	31,479	1,431,974
Related parties	14,202	-	-	-	-	7,494	21,696
Others	184,910	-	-	-	-	116,062	300,972
Finance lease receivable	17,145,254	-	-	-	-	-	17,145,254
Advances to associates**	29,836	-	-	-	-	145,273	175,109
AFS financial assets	2,041,303	-	-	-	-	-	2,041,303
Deposits***	8,331	-	-	-	-	-	8,331
Guarantee bonds****	45,000	-	-	-	-	-	45,000
	P24,585,071	P14,275	P5,178	P298	P53,211	P300,308	P24,958,341

*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.

	2014						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days		
	(In Thousands)						
Cash and cash equivalents*	P6,319,136	P-	P-	P-	P-	P-	P6,319,136
Investments held for trading	262,815	-	-	-	-	-	262,815
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
AFS financial assets	1,887,379	-	-	-	-	-	1,887,379
Deposits***	8,615	-	-	-	-	-	8,615
Guarantee bonds****	40,000	-	-	-	-	-	40,000
	P19,615,736	P4,739	P3,807	P9,202	P123,713	P277,330	P20,034,527

*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.

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.

	2015			Total
	High Grade	Medium Grade	Unrated	
	<i>(In Thousands)</i>			
Cash and cash equivalents*	₱3,561,955	₱-	₱-	₱3,561,955
Investments held for trading	226,747	-	-	226,747
Receivables:				
Trade	1,259,948	66,460	1,125	1,327,533
Related parties	14,202	-	-	14,202
Others	184,910	-	-	184,910
Finance lease receivable	17,145,254	-	-	17,145,254
Advances to associates**	29,836	-	-	29,836
AFS financial assets	2,035,354	-	5,949	2,041,303
Deposits***	-	8,331	-	8,331
Guarantee bonds****	45,000	-	-	45,000
	₱24,503,206	₱74,791	₱7,074	₱24,585,071

*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.

	2014			Total
	High Grade	Medium Grade	Unrated	
	<i>(In Thousands)</i>			
Cash and cash equivalents*	₱6,319,136	₱-	₱-	₱6,319,136
Investments held for trading	262,815	-	-	262,815
Receivables:				
Trade	958,083	18,699	99,391	1,076,173
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
AFS financial assets	1,879,730	-	7,649	1,887,379
Deposits***	-	8,615	-	8,615
Guarantee bonds****	40,000	-	-	40,000
	₱19,481,382	₱27,314	₱107,040	₱19,615,736

*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.

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, 2015 and 2014 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.

2015						
	On Demand	< 6 Months	6 Months to 1 Year	1-3 Years	> 3 Years	Total
<i>(In Thousands)</i>						
Financial Assets						
Cash and cash equivalents	₱3,561,955	₱-	₱-	₱-	₱-	₱3,561,955
Investments held for trading	226,747	-	-	-	-	226,747
Receivables	1,296,263	149,147	149,147	317,871	9,641	1,922,069
Finance lease receivable****	-	756,147	747,326	3,422,705	42,031,885	46,958,063
Advances to associates*	129,181	-	-	-	-	129,181
AFS financial assets	2,041,303	-	-	-	-	2,041,303
Deposits**	8,331	-	-	-	-	8,331
Guarantee bonds***	45,000	-	-	-	-	45,000
	₱7,308,780	₱905,294	₱896,473	₱3,740,576	₱42,041,526	₱54,892,649
Financial Liabilities						
Loans payable****	₱-	₱21,250	₱1,031,875	₱-	₱-	₱1,053,125
Trade and other current liabilities*****	2,265,638	-	21,708	45,303	-	2,332,649
Long-term debt****	-	372,906	271,526	2,282,963	2,922,726	5,850,121
Nontrade liability****	-	242,967	239,838	1,108,318	13,861,466	15,452,589
Installment payable****	173	-	-	-	-	173
Obligations under finance lease****	-	12,514	12,514	25,028	68,499	118,555
	₱2,265,811	₱649,637	₱1,577,461	₱3,461,612	₱16,852,691	₱24,807,212
*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.						
2014						
	On Demand	< 6 Months	6 Months to 1 Year	1-3 Years	> 3 Years	Total
<i>(In Thousands)</i>						
Financial Assets						
Cash and cash equivalents	₱6,319,136	₱-	₱-	₱-	₱-	₱6,319,136
Investments held for trading	262,815	-	-	-	-	262,815
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
AFS financial assets	1,887,379	-	-	-	-	1,887,379
Deposits**	8,615	-	-	-	-	8,615
Guarantee bonds***	40,000	-	-	-	-	40,000
	₱9,584,519	₱504,983	₱528,982	₱3,933,057	₱30,540,918	₱45,092,459

2014						
	On Demand	< 6 Months	6 Months to 1 Year	1-3 Years	> 3 Years	Total
<i>(In Thousands)</i>						
Financial Liabilities						
Loans payable****	P-	₱2,966,760	P-	P-	P-	₱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.

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 2015 and 2014.

The Company considers the following as its capital:

	2015	2014
<i>(In Thousands)</i>		
Common stock	₱10,561,000	₱10,559,383
Additional paid-in capital	5,503,731	5,503,731
Treasury shares	(134,442)	-
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	(1,749,628)	(1,604,824)
Retained earnings	4,903,882	6,530,078
	₱19,082,042	₱20,985,867

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:

2015					
	Carrying Value	Fair Value	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets					
Assets measured at fair value:					
Investments held for trading	P226,747	P226,747	P226,747	P-	P-
AFS financial assets (quoted)	2,035,354	2,035,354	2,035,354	-	-
Assets for which fair value is disclosed:					
Loans and receivables:					
Receivables -					
Trade	663,522	749,441	-	749,441	-
Finance lease receivable	17,145,254	19,795,765	-	-	19,795,765
Liabilities					
Liabilities for which fair value is disclosed:					
Nontrade liability	5,295,058	6,986,299	-	-	6,986,299
Long-term debt	4,984,375	4,262,493	-	4,262,493	-
Installment payable	173	173	-	173	-
Obligations under finance lease	118,555	118,555	-	118,555	-
2014					
	Carrying Value	Fair Value	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets					
Assets measured at fair value:					
Investments held for trading	P262,815	P262,815	P262,815	P-	P-
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	14,183,939	-	-	14,183,939
Liabilities					
Liabilities for which fair value is disclosed:					
Nontrade liability	4,241,256	6,753,055	-	-	6,753,055
Long-term debt	1,750,000	1,408,364	-	1,408,364	-
Installment payable	1,126	1,126	-	1,126	-
Obligations under finance lease	92,850	92,850	-	92,850	-

The Company has no financial liabilities measured at fair value as at December 31, 2015 and 2014. There were no transfers between fair value measurements in 2015 and 2014.

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 2015 and 2014.

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 discount rates in 2015 and 2014.

Investments Held for Trading and AFS Financial Assets. The fair values of investments held for trading 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 prevailing discount rates in 2015 and 2014.

Long-term Debt. The fair value long-term loans payable is determined by discounting the obligations' expected future cash flows using the discount rate of 5.3% to 6.3% and 5.3% to 5.7% in 2015 and 2014, respectively.

Installment Payable and Obligations under Finance Lease. The fair value of installment payable and obligations under finance lease approximate their carrying amount since the Company does not anticipate that the effect of discounting using prevailing market is significant.

45. Supplemental Disclosure of Cash Flow Information and Others

The significant noncash transactions entered into by the Company in 2014 are as follows:

	<u>Amount</u>
	<i>(In Thousands)</i>
Acquisition on controlling interest - reduction in investment account	(P2,464,016)
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 P1,413.5 million from noncurrent to current assets as well as certain other assets from current to noncurrent assets amounting to P403.7 million as at December 31, 2013 to properly reflect the classification of the assets. The reclassifications did not affect the total assets.



Building a better
working world

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SEC Reg No. 001-00001
December 14, 2015, valid until December 31, 2016
SEC Accreditation No. 0012-AR-4 (Group A)
November 12, 2015, valid until November 8, 2016

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, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, included in this Form 17-A, and have issued our report thereon dated February 29, 2016. 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.

Ramon D. Dizon
Partner
CPA Certificate No. 46047
SEC Accreditation No. 0077-AR-3 (Group A),
February 21, 2013, valid until April 30, 2016
Tax Identification No. 102-085-577
BIR Accreditation No. 08-001998-17-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5321631, January 4, 2016, Makati City

February 29, 2016

Belle Corporation and Subsidiaries
Index to the Consolidated Financial Statements and Supplementary Schedules
Form 17-A, Item 7
As at December 31, 2015

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, 2015
(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 and cash equivalents	N/A		
Trade receivables	N/A	3,570,065	5,151
Related parties	N/A	1,400,495	55,359
Accrued interest	N/A	14,202	
Advances to third parties and others	N/A	5,151	
Advances to associates	N/A	179,759	
Deposit and guarantee bonds	N/A	29,836	
Finance Lease Receivable	MCE Leisure	53,331	
		17,145,254	
		22,398,093	60,510
FS Financial Assets			
Equity Investments	SM Prime Holdings	2,007,530	
Equity Investments	SM Investments Corporation	27,811	
Equity Investments	Tagaytay Highlands International Golf Clu	2,590	
Equity Investments	The Country Club at Tagaytay Highlands	1,620	
Equity Investments	Costa Del Hamilo	757	
Equity Investments	PLDT	13	
Equity Investments	Others	982	
		2,041,303	-
Investments Held for Trading			
Equity Investments	APC Group, Inc.	26,501	
Equity Investments	DFNN, Inc.	26,426	
Equity Investments	Leisure & Resorts World Corporation	105,364	
Equity Investments	Vantage Equities, Inc.	68,296	
Equity Investments	PLDT	160	
		226,747	-
Total Financial Assets		24,666,143	60,510

As at December 31, 2015
(Amounts in Thousands)

Debit	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
Accounts receivable	5	-	-	-	-	5	-	5
Allowance for doubtful accounts	205	818	(516)	-	-	507	-	507
Notes receivable	645	1	(645)	-	-	1	-	1
Other receivables	450	-	-	-	-	-	450	450
	<u>1,305</u>	<u>819</u>	<u>(1,161)</u>			<u>513</u>	<u>450</u>	<u>963</u>

Belle Corporation and Subsidiaries
Schedule C. Amounts of Receivables from Related Parties
As at December 31, 2015
(Amounts in Thousands)

Name of Subsidiary	Balance at January 1, 2015	Additions	Amounts Collected	Amounts Provided with Allowance	Reclassification	Current	Not current	Balance at December 31, 2015	Amo Elimin
Belle Bay Plaza Corporation	2,148,658	-	524,092	(524,092)	-	-	1,624,566	1,624,566	1,62
Belle Grande Resource Holdings Inc.	22,258	57,495	-	-	-	79,753	-	79,753	7
Premium Leisure Corporation	4,997	123	-	-	-	5,120	-	5,120	7
SLW Development Corp.	98,733	-	21,988	-	-	76,745	-	76,745	7
Parallax Resources, Inc.	-	27,243	-	-	-	27,243	-	27,243	2
	2,274,646	84,861	546,080	(524,092)	-	188,861	1,624,566	1,813,427	1,81

Belle Corporation and Subsidiaries
Schedule D. Intangible Assets
As at December 31, 2015
(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	5,249,552	-	(279,211)	-	-	4,970,341
Goodwill - Acquisition of Subsidiaries	1,828,578	-	-	-	-	1,828,578
	7,078,130	-	(279,211)	-	-	6,798,919

Belle Corporation and Subsidiaries
Schedule E. Long Term Debt
As at December 31, 2015
(Amounts in Thousands)

Title of Issue and Type of Obligation	Amount Authorized by Indenture		Balance at December 31, 2015		Current Portion of Long Term Debt		Non Current Portion of Long Term Debt		Interest Rate	Amount and Number of Periodic Payments		Maturity	
	(in Original Currency)	(in Phip)	(in Original Currency)	(in Phip)	(in Original Currency)	(in Phip)	(in Original Currency)	(in Phip)		(in Original Currency)	(Approx in Phip)		Periodic Payments
Term Loans:													
Maybank Phip1B	Php1,000,000	1,000,000	Php984,375	984,375	Php262,500	262,500	Php721,875	721,875	5.25%	Php65,625	65,625	20 quarterly installments	At
RCBC Phip1.5B	Php1,500,000	1,500,000	Php1,500,000	1,500,000	Php100,000	100,000	Php1,400,000	1,400,000	5.51% - 5.71%	Php100,000	100,000	3 annual installments and the remaining amount on due date	.
UCPB Phip1B	Php1,000,000	1,000,000	Php1,000,000	1,000,000	Php-	-	Php1,000,000	1,000,000	6.25%	Php80,129	80,129	20 quarterly installments	Novem Decem
EWB Phip1.5B	Php1,500,000	1,500,000	Php1,500,000	1,500,000	Php-	-	Php1,500,000	1,500,000	5.75%	Php250,000	250,000	3 annual installments and the remaining amount on due date	Jan

Belle Corporation and Subsidiaries
Schedule F. Indebtedness to Related Parties
As at December 31, 2015

Name of Related Parties	Balance at January 1, 2015	Additions	Amounts Paid	Current	Not current	Balance at December 31, 2015
NOT APPLICABLE						

Belle Corporation and Subsidiaries
Schedule G. Guarantees of Securities of Other Issuers
As at December 31, 2015
(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, 2015

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	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	10,516,853,857	-	3,113,559,744	192,805,146	7,212,488,967
Percentage Held				29.60%	1.83%	68.57%
Preferred Shares	6,000,000,000	-	-	-	-	-
Percentage Held				-	-	-

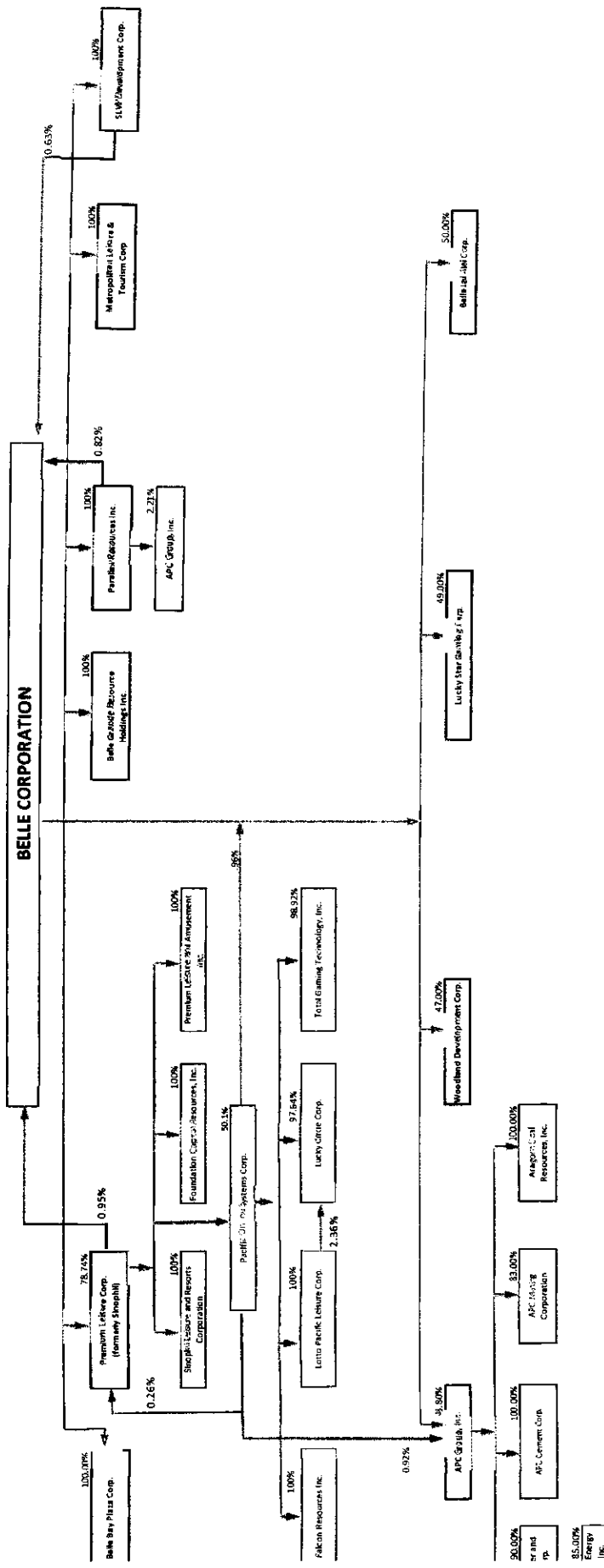
Belle Corporation
Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2015
(Amounts in Thousands)

Unappropriated Retained Earnings as at December 31, 2014	6,378,473
Net income based on the face of 2015 audited financial statements, as reported	2,666,572
Less: Non actual/unrealized income net of tax	
Finance lease receivable adjustments:	
Interest income on finance lease receivable	(1,917,354)
Actual cash receipts on finance lease	1,140,390
Depreciation of investment property under finance lease	(478,329)
Deferred tax on finance lease adjustments	(1,255,293)
Reversal of provision for probable losses	376,588
Unrealized foreign exchange gain on short-term investments	(524,355)
Unrealized foreign exchange gain on short-term investments	(44,400)
Add: Non-actual losses	
Provision for probable losses	23,800
Deferred tax on provision for probable losses	(7,140)
Nontrade liability adjustments:	
Accretion of nontrade liability	651,684
Payments of nontrade liability	(338,599)
Deferred tax on nontrade liability	313,085
Deferred tax on nontrade liability	(82,140)
	(1,199,855)
Net income actually earned during the period, as adjusted	1,466,717
Dividend declarations during the year	(2,902,479)
Treasury shares acquired during the year	(134,442)
Unappropriated retained earnings as adjusted to available for dividend declaration, at end of year	4,808,269

Belle Corporation and Subsidiaries
Schedule J. Key Financial Ratios
As at December 31, 2015 and 2014

	2015	2014
Debt-to-equity Ratio	1.68 : 1.00	1.51 : 1.00
Current or Liquidity Ratio	1.88 : 1.00	1.99 : 1.00
Debt-to-equity Ratio	0.23 : 1.00	0.17 : 1.00
Debt-to-equity Ratio	0.10 : 1.00	(0.06) : 1.00
Interest Rate Coverage Ratio	9.80 : 1.00	13.68 : 1.00
Return on Assets	3.4%	7.0%
Return on Equity	5.3%	10.7%

Information
 Date: March 31, 2015



BELLE CORPORATION AND SUBSIDIARIES
SCHEDULE OF ALL THE EFFECTIVE STANDARDS
AND INTERPRETATIONS
DECEMBER 31, 2015

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements				
	Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposals*	Not Early Adopted		
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	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Disclosures - Servicing Contracts*	Not Early Adopted		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*	Not Early Adopted		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments *	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not Early Adopted		
	Amendments to PFRS 9: Hedge accounting and amendments to PFRS 9 and PAS 39 (2013 version)*	Not Early Adopted		
	Amendments to PFRS 9 (2014 version)*	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
	Amendments to PFRS 10 and PAS 28: Applying the Consolidation Exception*	Not Early Adopted		

		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*	Not Early Adopted		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts*	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Disclosure Initiative*	Not Early Adopted		
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			✓

		Adopted	Not Adopted	Not Adopted
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of servicing equipment	✓		
	Amendment to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation/Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not Early Adopted		
	Amendments to PAS 16 and PAS 41: Bearer Plants*	Not Early Adopted		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate*	Not Early Adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	Not Early Adopted		
PAS 28	Investments in Associates	✓		
	Investments in Associates and Joint Ventures	✓		

PAS 28 (Amended)	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
	Amendments to PFRS 10 and PAS 28: Applying the Consolidation Exception*	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax effect of distribution to holders of equity instruments	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	✓		
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'*	Not Early Adopted		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not Early Adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		

	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants*	Not Early Adopted		
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 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		

		Adopted	Not Applicable	Not Applicable
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate*	Not Early Adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases – Incentives	✓		
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 and interpretations which will become effective subsequent to December 31, 2015

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2015.