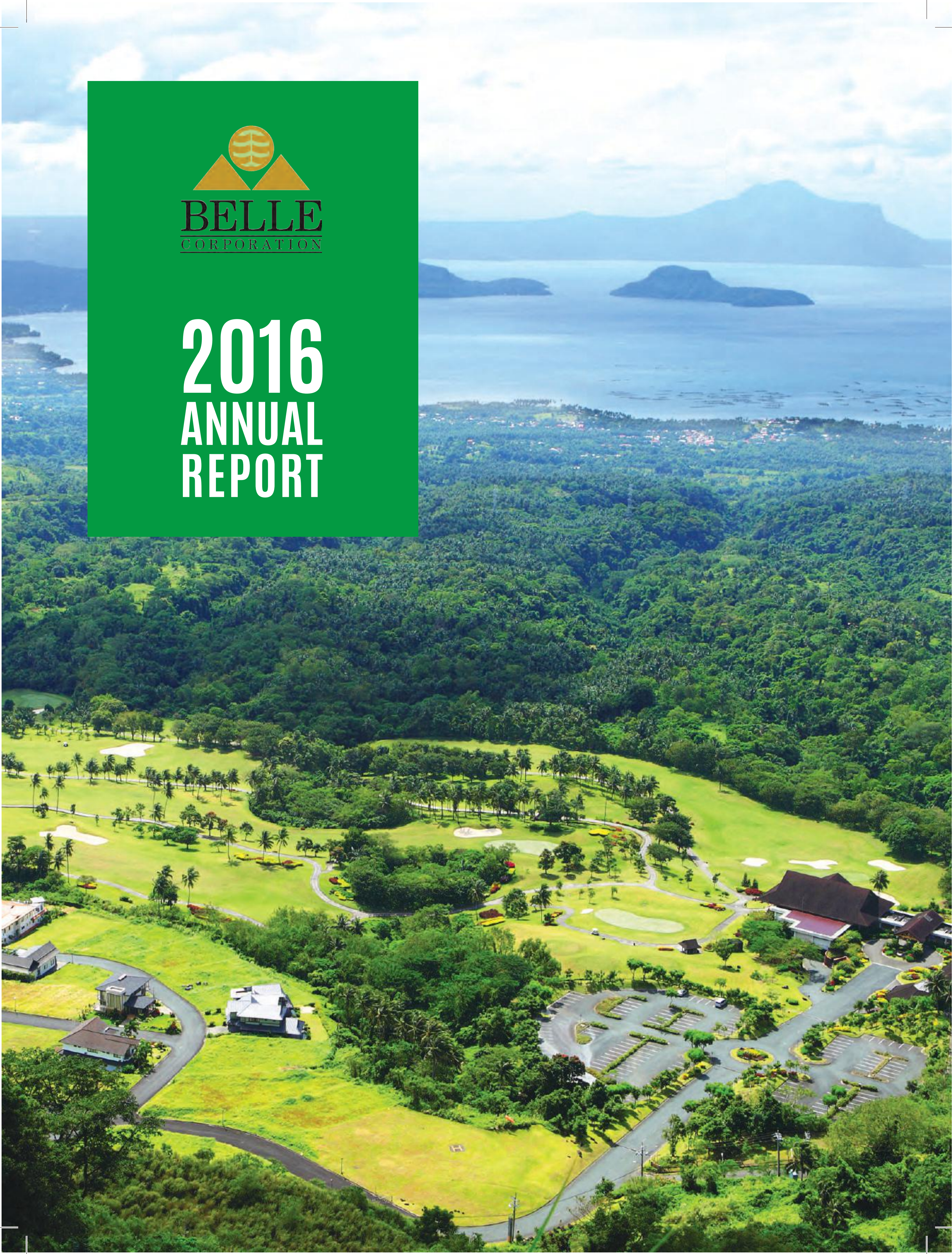
BELLE
CORPORATION

2016 ANNUAL REPORT



Our Vision

Belle Corporation envisions itself
as a world-class provider of the finer things in life.

Our Values

Leadership. Integrity. Hard Work.
Innovation. Sustainability. Accountability.

Our Mission

To develop quality entertainment and leisure facilities
that promote growth and environmental sustainability.

To enhance shareholder value
for the Company's partners and investors.

To promote a mutually beneficial relationship
with all the stakeholders grounded on integrity and respect.

To be an employer of choice offering career growth opportunities.

To enhance the quality of life of the communities it serves.

Contents

Corporate Structure and Lines of Business

BELLE CORPORATION

- BELLE CORPORATION — REAL ESTATE
- PREMIUM LEISURE CORP. — GAMING
- PORTFOLIO INVESTMENTS

CITY OF DREAMS MANILA

LAND HELD FOR DEVELOPMENT

BATANGAS
(approximately 810 hectares)*

ASEANA BUSINESS PARK PARAÑAQUE CITY
(8,490 square meters)*

FINISHED REAL ESTATE PRODUCTS IN TAGAYTAY HIGHLANDS AND MIDLANDS

PREMIUM LEISURE CORP.
- Gaming Investments
- Listed on PSE (PLC)

78.7% of outstanding shares | 24.9 billion shares*

PREMIUMLEISURE AND AMUSEMENT, INC.
- Holding Company for PAGCOR license
- Operating agreement with Melco Crown

100%

PACIFIC ONLINE SYSTEMS CORP.
- Lease of Lottery and Keno equipment
- Listed on PSE (LOTO)

50.1% of issued shares | 224.3 million shares*

APC GROUP, INC.
- Energy and Natural Resources
- Listed on PSE (APC)

48.8% of outstanding shares | 3.7 billion shares*

SM PRIME HOLDINGS, INC.
- One of the largest integrated property developers in Asia
- Listed on PSE (SMPH)

less than 1% of outstanding shares | 66.7 million shares*

*As of December 31, 2016

Message to Shareholders

2016 was another year of financial milestones for Belle Corporation. Your Corporation achieved its third successive year of record revenues, with operating revenues of ₱6.3 Billion in 2016 comprising growth of 18% from ₱5.3 Billion in 2015. Belle also realized significant growth in its bottom line, with consolidated net income increased by 72% from ₱1.8 Billion in 2015 to ₱3.1 Billion in 2016. More noteworthy was Belle's 55% growth in recurring net income from ₱1.3 Billion in 2015 to ₱2.0 Billion in 2016, which comprises an all-time record.

Since 2015, your Corporation has consistently paid a regular cash dividend of ₱1 Billion or ₱0.095 per share, constituting a significant portion of its recurring net income. Belle's most recent regular dividend was declared on February 28, 2017 and paid to its shareholders on March 30, 2017. This represents almost half of Belle's recurring net income for 2016.

Belle's subsidiaries have also paid consistently reliable and substantial dividends. Premium Leisure Corp. has been paying cash dividends in each of the last three years comprising virtually all of its dividendable retained earnings as of the previous year-end, and its most recent dividend to be paid on March 23, 2017 of ₱888 Million or ₱0.0281 per share comprising its highest level so far. Pacific Online Systems Corporation, which is engaged in the lottery gaming industry, paid regular cash dividends of ₱0.50 per share in 2014, and raised this to ₱0.60 per share starting 2015. In 2016, it paid total cash dividends of ₱349 Million or ₱0.98 per share, as well as a 50% stock dividend.

Belle's impressive operating performance was the result of growth in all of its business units, with its lease income and gaming revenue from City of Dreams Manila leading the way. In only its second full year of operation, City of Dreams Manila has vaulted to more than ₱25 Billion in gross gaming revenue in 2016, or about 80% higher than its gross gaming revenue in 2015 of about ₱14 Billion. The 30-hectare integrated resort complex, which is managed by our operating partners the Melco Crown group, is well on its way to establishing itself as a premier tourism and leisure destination prominently located at the gateway to PAGCOR's Entertainment City, which is envisioned to be a showcase similar to the Las Vegas Strip.

Belle's real estate business development business continues to be viable within its niche market of high-end leisure and tourism properties. Although this business now represents less than 10% of the Corporation's revenues and net income, its contribution of ₱149 Million in net income for 2016 is still material and its historical significance to the Belle brand cannot be understated. Tagaytay Highlands celebrated its 22nd year in 2016, with the entire leisure estate now boasting of over 600 hectares of developed land and four renowned facilities in Tagaytay Highlands International Golf Club, The Country Club at Tagaytay Highlands, The Spa & Lodge at Tagaytay Highlands and the Tagaytay Midlands Golf Club. We still have land for development of approximately 800 hectares, which we intend to develop into the unique family-oriented projects that Belle has been historically noted for.

We are proud of what your Corporation achieved during 2016, and are excited over our prospects in the coming year and beyond. Belle's balance sheet continues to be strong, and we are well-positioned to sustain growth and take advantage of emerging opportunities to enhance our businesses in the foreseeable future.

However, we also mourn the loss of our beloved Chairman, Mr. Benito Tan Guat, who passed away in June 2016. He served as the Corporation's Chairman from 1999 until his death, and has always been a presence in our Board. His leadership and insight will be missed, and Belle's growth and achievements during his time at the helm are part of his legacy.

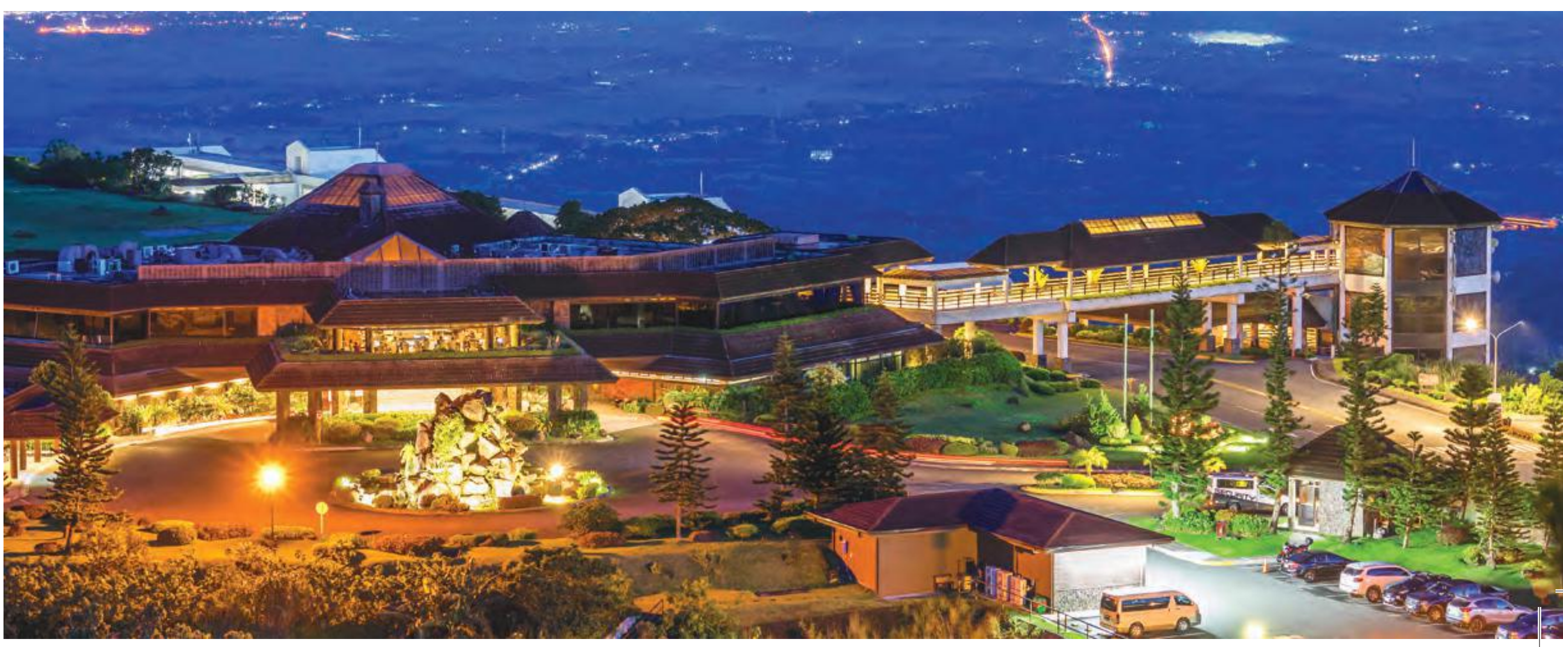
Thanks to the vision, hard work and dedication of our Board of Directors, management and staff, Belle is better positioned today than at any time in our recent history to deliver sustainable growth and many happy returns to our loyal shareholders.

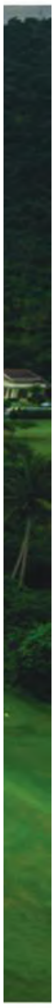
Thank you for your continued support.

Emilio S. De Quiros, Jr.
CHAIRMAN OF THE BOARD

Willy N. Ocier
VICE CHAIRMAN

Elizabeth Anne C. Uychaco
VICE CHAIRPERSON





President's Report

Belle Corporation's broad corporate objectives continue to be: to deliver value to our shareholders, to serve as a good corporate citizen for the benefit of our stakeholders; and to deliver the finer things in life to our customers. We build on these objectives with the conviction to continue to improve our business structure and competitive position. Your Corporation's evolution over the last 20 years from a specialty niche player in the real estate industry to a fairly diversified conglomerate in the tourism and leisure industries is a result of our successful focus on our objectives.

Belle achieved all-time records in 2016, with revenues of ₱6.3 Billion and recurring net income of ₱2.0 Billion representing growth from 2015 of 18% and 55% respectively. Its consolidated net income in 2016 of ₱3.1 Billion, while not an all-time record, is 72% higher than the level of consolidated net income in 2015 of ₱1.8 Billion. Belle's balance sheet continues to be solid and conservative, with high liquidity and low leverage. As a result of its consistently strong operations and financial position, Belle has paid regular dividends of ₱1 Billion or ₱0.095 per share for each of the past 3 years.

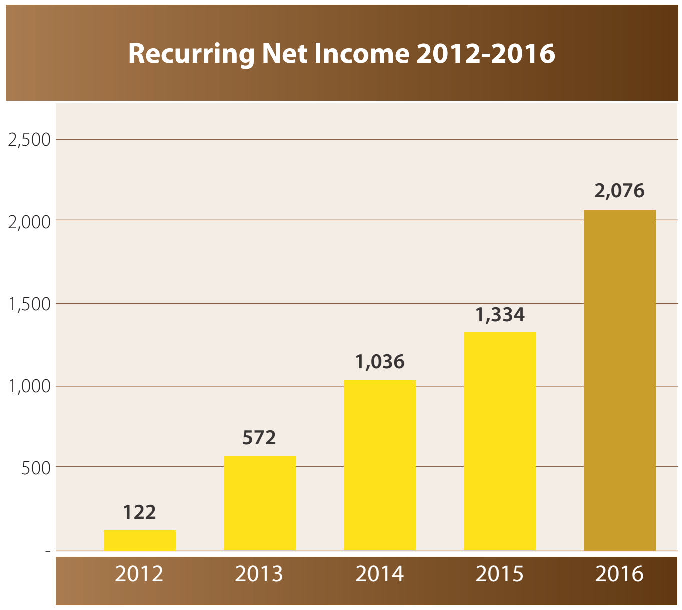
FINANCIAL REVIEW

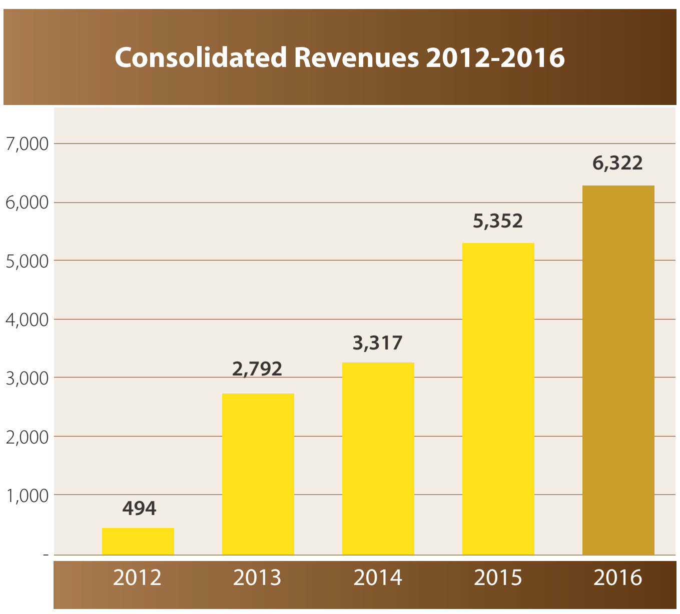
Belle's total revenues for 2016 amounted to ₱6,322 Million, which surpassed the 2015 level of ₱5,352 Million by ₱970 Million or 18%. The bulk of the growth in revenues came from the group's share in gaming operations at City of Dreams Manila, through Belle's subsidiary Premium Leisure Corp. (PLC), which amounted to ₱1,643 Million and more than doubled 2015 revenues therefrom of ₱756 Million. The lease of City of Dreams Manila to the Melco Crown Group accounted for ₱2,194 Million in revenues for 2016 compared to ₱2,108 Million in 2015, for a 4% increase. Revenues from real estate development and related activities were more or less flat at ₱586 Million for 2016 and ₱590 Million for 2015 compared to ₱474 Million for 2014. Revenues from Pacific Online Systems Corporation (Pacific Online), which is involved in the lottery gaming sector, increased 10% from ₱1,718 Million in 2015 to ₱1,888 Million in 2016.

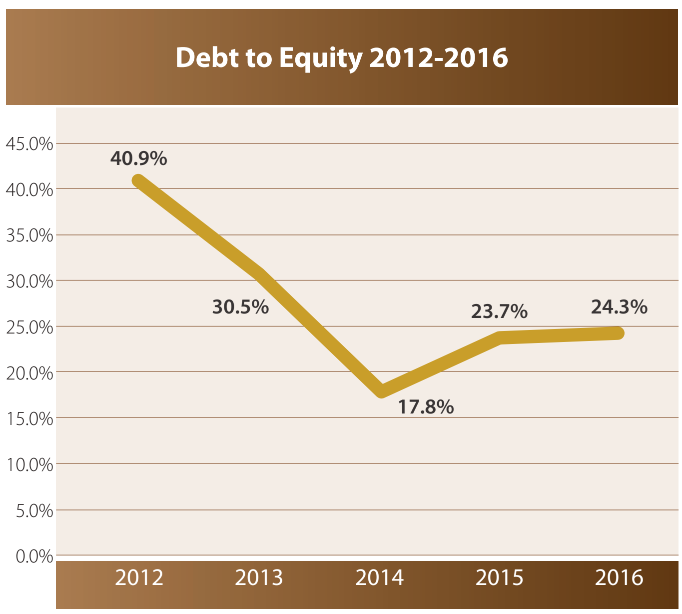
Earnings before interest, taxes, depreciation and amortization (EBITDA) from its various business units aggregated ₱3,678 Million in 2016, or 33% higher than the comparative figure in 2015 of ₱2,756 Million. Again, PLC's share in the gaming operations of City of Dreams Manila led the way, with EBITDA of ₱1,187 Million in 2016 comprising an increase of 85% over EBITDA of ₱640 Million in 2015. The lease of City of Dreams Manila contributed EBITDA of ₱1,465 Million in 2016, which was an increase of 16% over EBITDA of ₱1,258 Million in 2015. Real estate development and related activities contributed ₱257 Million in EBITDA in 2016, which was 9% higher than ₱235 Million in 2015. Pacific Online contributed ₱769 Million in EBITDA in 2016, which was 23% higher than ₱623 Million in 2015.

Due to its significant growth in EBITDA from its various business units, Belle recorded significant growth in its net income from continuing operations, with recurring net income of ₱2,076 Million in 2016 comprising an increase of 55% from the comparable level in 2015 of ₱1,334 Million. With regard to consolidated net income, which includes one-time income and expense items, the Corporation realized ₱3,096 Million in 2016, which was a 75% increase from consolidated net income for 2015 of ₱1,772 Million.

Belle's balance sheet continues to be solid and conservative. As of December 31, 2016, your Corporation had approximately ₱8.7 Billion in liquid assets, comprised of ₱3.0 Billion in consolidated cash and equivalents, ₱1.9 Billion in receivables and about ₱3.8 Billion in market value of tradable investments, which cover about 138% of the Company's consolidated total debt of ₱6.3 billion as of year-end 2016. The Company's ratio of consolidated debt to shareholders' equity continued to be conservative, at about 24% as of December 31, 2016.







Recent Dividend History

Declaration Date	Payment Date	Amount		Stock Price on Declaration Date	Dividend as a % of Stock Price
		₱ millions	₱ / share		
February 28, 2017 (Regular Dividend)	March 30, 2017	₱1,003	₱0.095	₱3.42	2.78%
February 29, 2016 (Regular Dividend)	March 29, 2016	₱1,003	₱0.095	₱3.08	3.08%
July 31, 2015 (Regular Dividend)	August 28, 2015	₱1,003	₱0.095	₱3.70	2.57%
January 27, 2015 (Special Dividend)	March 9, 2015	₱1,900	₱0.180	₱4.50	4.00%

GAMING

With the continuous growth in the Philippine Gaming Market, PLC, a 78.7%-owned listed subsidiary of Belle, realized a 139% increase in its revenue to ₱3.5 Billion in 2016, from ₱1.5 Billion in 2015. PLC is the group's gaming investment vehicle, with its revenues and income generated by two subsidiaries:

- PremiumLeisure and Amusement, Inc. (PLAI), wholly-owned unlisted subsidiary of PLC, is a grantee of a PAGCOR license to operate integrated resorts and the beneficiary of an operating agreement with Melco Crown that entitles it to a share of gaming earnings in City of Dreams Manila. With the overall improvement in all of the gaming segments of City of Dreams Manila during 2016, PLAI realized a 117% increase in revenue to P1.6 Billion, from P756 Million in 2015, and a 107% increase in net income to P1.06 Billion, from P511.4 Million in 2015.

- Pacific Online Systems Corporation (Pacific Online) is a 50.1%-owned consolidated subsidiary of PLC, which is listed in the Philippine Stock Exchange under the ticker "LOTO". Through its contracts with the Philippine Charity Sweepstakes Office (PCSO), Pacific Online supplies lottery and Keno equipment to the PCSO, mostly to outlets in the Visayas and Mindanao, for which it collects a percentage of the PCSO's revenues from sales using such equipment. Pacific Online realized revenues of P1.9 Billion and net income of P400 Million in 2016, which comprised increases from 2015 of 10% and 16%, respectively.

REAL ESTATE DEVELOPMENT

Tagaytay Highlands and Midlands, Belle's premier mountain resort complexes, continues to be one of the top leisure destinations in the real estate industry. In 2016, Belle derived revenues from its property development and management activities in the Tagaytay Highlands and Midlands areas of P586 Million, with net income of P149 million. Although the 2016 revenues were more or less flat compared to the P590 Million realized in 2015, net income for 2016 was 64% higher compared to the P91 Million net income in 2015.

Sycamore Heights, a contemporary Asian-themed community at Lakeside Fairways in Talisay, Batangas maintains its substantial contribution to property sales. Lot turnovers commenced in the 4th quarter of 2016 and development of the entire village is nearing completion at 98.45% as of December 31, 2016. This 27-hectare community in the Midlands boasts of breathtaking views of the Taal Lake and Volcano, the Midlands fairways, and mountainside. Its exclusive amenities include Central Park, with its own pavilion and swimming pool, Lounge Garden and Bird Watch Park.

Residential developments in Lakeside Fairways, beside the Tagaytay Midlands golf course, remain to be favored locations for vacation homes. Lakeside Fairways boasts of themed communities that are inspired by architecture and culture from around the world. Popular examples of these themed communities are Japanese-inspired

Katsura and Yume, Italian-influenced Tivoli Place and Cotswold, which evokes visions of life in the English countryside. All of these developments boast of panoramic views of scenic Taal Lake and the verdant countryside surrounding it.

Plantation Hills, Belle's leisure farm community in the Greenlands area, about a 5 minute drive from the Midlands Golf Clubhouse, has been a sought-after development since it was inaugurated in 2003 due to the relaxing lifestyle it conveys with its combined residential and eco-farming concept. Belle is scheduled to roll-out its latest offering within Plantation Hills in 2017.

Tagaytay Highlands International Golf Club, The Country Club at Tagaytay Highlands and Tagaytay Midlands Golf Club continue to serve as anchors in the Tagatay Highlands and Midlands communities, where families can engage in healthy sports activities or spend quality time together within a short distance from their weekend homes in the area. Members are provided more reasons to enjoy the clubs due to new and improved amenities and services.

In 2016, the Country Club completed several improvements and additions to its amenities, including modernization of the Game Room at the Sports Center in the Country Club, the redesign of its indoor lap pool and the introduction of new baby animals at the Animal Farm. Ground breaking was done for the new Aerial Walk, and construction started for the Boot Camp challenge course at the Eco Parks.

In 2017, the Country Club is planning to start improving interior spaces at The Gourmet Avenue to augment the exquisite gastronomic journey it offers at popular outlets such as Akasaka and Chosun. A new coffee spot featuring signature beverages and gourmet snacks is planned to be set up near the terrace, to be called De Rigueur Café. Also in the pipeline is the renovation of the Highlands Peak Bar and the conversion of the third floor of the Country Club's Sports Center into a multi-function Sports Hall.

The Greenlands area around the Saratoga Hills subdivisions is envisioned to be the premier area for more adventurous attractions to further maximize the Tagaytay Highlands and Midlands complexes as an eco-tourism destination. This will include the launch of a trail buggy and a biking course and the relaunch of trekking trails.

CORPORATE SOCIAL RESPONSIBILITY

The Company, through its corporate social responsibility arm called Belle *Kaagapay*, continues to implement various activities to uplift the quality of life in surrounding communities. Noteworthy is Belle *Kaagapay*'s involvement in the Philippine government's *Brigada Eskwel*a program, as well as free scholarship programs for college students, feeding programs, medical and dental missions, and tree planting activities, among others.

Consistent with the Corporation's mission statement, a partnership was forged with SM Foundation, Inc. to conduct a farmers' livelihood training program within the Tagaytay Highlands complex. Widely attended by the neighboring communities, the goals were to promote self-sufficiency, food security and sustainable livelihood opportunities. In support of such, the farmer-trainees have been allowed to grow their own crops inside designated areas in the Tagaytay Highlands and Midlands complexes, and has thus given them access to a steady source of income by supplying some of the clubs' organic vegetable requirements. Through Belle *Kaagapay*, the Corporation shall continue to partner with its host communities as it remains dedicated and committed to its long-term vision to uplift the lives of their citizens by making them empowered and productive.

We are proud of our achievements over the past year, and of the successful evolution of your Corporation over the past 20 years. We believe that Belle is strongly positioned to take advantage of opportunities and withstand challenges in the foreseeable future. As always, we will continue to exercise financial prudence and undertake business risks only after careful study and calculation.

I would also like to thank the Board of Directors and Shareholders of Belle for the opportunity of serving as the Company's President and Chief Executive Officer these past three years. I am very comfortable to be leaving Belle at this time, as Belle is in a very solid financial footing and just had another record year in 2016. Even though I am giving up my official responsibilities in the Company, I am happy to continue to be involved as an Adviser to the Board, and welcome Manuel Gana as my successor. Mr. Gana has been Belle's Chief Financial Officer since 2000, and has been actively involved in managing the Company through the different business cycles that Belle has gone through.

We hope that we continue to earn your confidence with our track record of performance. We look forward to continuing this journey with you, our shareholders.

Thank you for your continued support.

Sincerely,

FREDERIC C. DYBUNCIO
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Board of Directors

Seated, left to right:
Willy N. Ocier, Elizabeth Anne C. Uychaco, Cesar E. A. Virata, Washington Z. SyCip
Standing, left to right:
Jacinto C. Ng, Jr., Gonzalo T. Duque, Frederic C. DyBuncio, Emilio S. De Quiros, Jr., Gregorio U. Kilayko, Jose T. Sio, Virginia A. Yap, Manuel A. Gana

Emilio S. De Quiros, Jr.

Mr. De Quiros is the Chairman of the Board of Belle Corporation. He has served as a Director of the Company since September 2010, and was appointed Chairman on August 2016. He served as the President and Chief Executive Officer of the Social Security System ("SSS") from August 24, 2010 until November 16, 2016. He also served as Director of UnionBank of the Philippines and Philhealth Insurance Corporation. Prior to his appointment as President and Chief Executive Officer of SSS, he served as Executive Vice President of Bank of the Philippine Islands and President of Ayala Life Insurance Inc., Ayala Plans Inc. and BPI Bancassurance, Inc. He was also a director of ALFM Peso Mutual Fund, Inc., ALFM Dollar Mutual Fund, Inc.,ALFM Euro Mutual Fund, Inc., ALFM Growth and Philippine Stock Index Fund. Mr. De Quiros graduated from Ateneo de Naga with a Bachelor of Arts in Economics degree (Cum Laude), and holds a Master of Arts in Economics degree from University of the Philippines.

Willy N. Ocier

Mr. Willy Ocier is one of the two Co-Vice Chairpersons of Belle Corporation. He has been a Vice Chairman of the Company's Board of Directors and Chairman of the Company's Executive Committee since June 1999. His positions with associated companies are as follows: Chairman and President of Pacific Online Systems Corporation; Chairman of the Board and a Director of APC Group, Inc., Premium Leisure Corp., and Premium Leisure and Amusement, Inc.; Chairman of Tagaytay Midlands Golf Club, Inc., The Country Club at Tagaytay Highlands, Inc. and The Spa and Lodge Inc.; and Vice Chairman of Tagaytay Highlands International Golf Club, Inc. Mr. Ocier also sits as a Director of the following unaffiliated corporations: Leisure and Resorts World Corporation, IVantage Equities, Philequity Management, Inc., Philequity Funds, Philippine Global Communications, Inc. and Toyota Corporation Batangas. He was formerly President and Chief Operating Officer of Eastern Securities Development Corporation. He graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics.

Elizabeth Anne C. Uychaco

Ms. Uychaco is a Board Director and Co-Vice Chairperson of Belle Corporation. She is also Senior Vice President of SM Investments Corporation, and a Board Director of Republic Glass Holdings Corporation and BDO Life Assurance Co. She was a Board Director of Megawide Construction Corp., Sinophil Corp., PremiumLeisure and Amusement, Inc., and Transnational Diversified Corp. She was also formerly Senior Vice President and Chief Marketing Officer of Philippine American Life and General Insurance Company and Board Director of Philam Call Center, and Vice President of Globe Telecom, Inc., Kuok Philippine Properties, Inc. and Transnational Diversified Corp. Ms. Uychaco graduated from St. Scholastica's College in 1978 with a Bachelor of Arts Degree. She obtained a Master's Degree in Business Economics from the University of Asia and Pacific and a Master's Degree in Business Administration from the Ateneo School of Business.

Frederic C. DyBuncio

Mr. DyBuncio is an Adviser to the Board of Directors of Belle Corporation effective March 15, 2017. Prior to this, he was the President, Chief Executive Officer and Director of Belle Corporation and its subsidiary Premium Leisure Corp. Concurrently, he is the Executive Vice President of SM Investments Corporation. He is the Vice Chairman and Director of Atlas Consolidated Mining and Development Corporation, Director of Tagaytay Highlands International Golf Club, Inc., and Pacific Online Systems Corporation. Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's degree in Business Administration program at Asian Institute of Management.

Jose T. Sio

Mr. Sio is a Director, Executive Vice President and Chief Finance Officer of SM Investments Corporation. He is a member of the Board of Directors of the following companies listed in the Philippine Stock Exchange (PSE): (i) China Banking Corporation; (ii) Atlas Consolidated Mining and Development Corporation; and Adviser to the Board of Directors of BDO Unibank, Inc. and Premium Leisure Corp. Mr. Sio also serves as Director of the following companies not listed in the PSE: (i) OCLP (Ortigas) Holdings, Inc.; (ii) Carmen Copper Corporation; (iii) Manila North Tollways Corporation; (iv) CityMall Commercial Centers Inc.; and (v) First Asia Realty Development Corporation. Mr. Sio was a Senior Partner of SyCip Gorres Velayo & Co. (SGV) from 1977 to 1990. He was voted as CFO of the Year in 2009 by the Financial Executives Institute of the Philippines (FINEX). He was also awarded as Best CFO (Philippines) in various years by Hong Kong-based business publications such as Alpha Southeast Asia, Corporate Governance Asia, Finance Asia and The Asset. Mr. Jose T. Sio is a Certified Public Accountant and obtained his Master's degree in Business Administration (MBA) from New York University, USA.

Gregorio U. Kilayko

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

Cesar E. A. Virata

Mr. Virata is an Independent Director of the Company. C. Virata Advisory renders business advisory services. He is currently a Director and Vice Chairman of Rizal Commercial Banking Corporation (RCBC); and Director of RCBC subsidiaries and some affiliates. He is also an Independent Director of Lopez Holdings Corporation, City & Land Developers, Inc. and Business World Publishing Corporation. He is a Trustee of a number of Foundations involved in education and health services. Mr. Virata was formerly the Minister of Finance and Prime Minister of the Philippines.

Jacinto C. Ng, Jr.

Mr. Ng is a Director of the Company. He is concurrently a Director of Highlands Prime, Inc., Manila Bay Development Corporation, Palm Concepcion Power Corporation and Peakpower Energy, Inc. He is also the Chief Executive Officer of Quantuvis Resources Corporation, Elanvital Enclaves, Inc., and Extraordinary Enclaves, Inc. Previously, he has served as the Chairman of Extraordinary Development Corporation/ Earth+Style Corporation. Mr. Ng holds a Bachelor of Science degree in Architecture from the University of the Philippines.

Washington Z. SyCip

Mr. SyCip is an Independent Director of the Company. He is the founder of The SGV Group, an auditing and management consulting group with operations throughout East Asia. He is the Chairman Emeritus of the Board of Trustees and Board of Governors of the Asian Institute of Management; a Member of the Board of Overseers of Columbia University Graduate School of Business, New York; the Honorary Chairman of Euro-Asia Centre, INSEAD, Fontainbleau, France since 1989; a Member of the International Advisory Board, Council on Foreign Relations (1995-2010), New York; and an Honorary Life Trustee of the Asia Society, New York. Mr. SyCip is a Director of a number of major corporations in the Philippines and other parts of the world.

Virginia A. Yap

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

Gonzalo T. Duque

Dr. Duque is a Commissioner of the Social Security System, and was elected a Director of Belle Corporation on February 28, 2017. He began his professional career by working as a Legal Officer in the Securities and Exchange Commission. He was later elected as Vice Governor of Pangasinan, and was part of Philippine Overseas Employment Administration as Director IV, and then, deputy administrator. He also acted as consultant of the House of Representatives Committee on Education and of the Commission on Higher Education. Dr. Duque obtained a Bachelor of Arts in Political Science degree in 1972 and a Bachelor of Law degree in 1976, both from San Beda College. He received Doctorates in Educational Management (meritissimus) from University of the Visayas in 2010 and Humanities (honoris causa) from University of Baguio in 2011.

Manuel A. Gana

Mr. Gana was appointed as the President and Chief Executive Officer of the Company as of March 15, 2017. Prior to his appointment, he was the Executive Vice President and Chief Financial Officer of Belle Corporation. He is also the Vice President and Treasurer, and a Director, of the Tagaytay Highlands International Golf Club. He joined Belle in 1997 as Vice President for Corporate Development and Special Projects, during which time he was also assigned as the Vice President-Finance and Chief Financial Officer for MagiNet Corporation, which was then a subsidiary of Sinophil Corporation (now called Premium Leisure Corp.). He was promoted to Chief Financial Officer of the Company in September 2000. Previously, he has served as the President and a Director of Sinophil Corporation, and Director of Investment Banking at Nesbitt Burns Securities Inc. in New York. He also previously worked for Bank of Montreal and Merrill Lynch Capital Markets (both in New York), and for Procter & Gamble Philippine Manufacturing Corporation. Mr. Gana holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania, and degrees in Accounting and Economics from De La Salle University. He is a Certified Public Accountant.

Board Committees

(As of December 31, 2016)

Executive Committee	
Willy N. Ocier	Chairman
Elizabeth Anne C. Uychaco	Member
Frederic C. DyBuncio	Member
Jacinto C. Ng, Jr.	Member
Virginia A. Yap	Member

Audit Committee	
Gregorio U. Kilayko	Chairman (Independent Director)
Cesar E. A. Virata	Member (Independent Director)
Jacinto C. Ng, Jr.	Member

Risk Management Committee	
Gregorio U. Kilayko	Chairman (Independent Director)
Cesar E. A. Virata	Member (Independent Director)
Jacinto C. Ng, Jr.	Member

Corporate Information Officer
Manuel A. Gana

Compliance Officer
Atty. A. Bayani K. Tan

Nomination Committee	
Washington Z. SyCip	Chairman (Independent Director)
Cesar E. A. Virata	Member (Independent Director)
Gregorio U. Kilayko	Member (Independent Director)

Compensation and Remuneration Committee	
Gregorio U. Kilayko	Chairman (Independent Director)
Cesar E. A. Virata	Member (Independent Director)
Elizabeth Anne C. Uychaco	Member

Corporate Governance Committee	
Gregorio U. Kilayko	Chairman (Independent Director)
Cesar E. A. Virata	Member (Independent Director)
Frederic C. DyBuncio	Member

Related Party Transactions Committee	
Cesar E. A. Virata	Chairman (Independent Director)
Washington Z. SyCip	Member (Independent Director)
Gregorio U. Kilayko	Member (Independent Director)

Executive Officers

Standing, left to right:

Manuel A. Gana
Executive Vice President and Chief Financial Officer
(until March 14, 2017)
President and Chief Executive Officer (effective March 15, 2017)

Armin Antonio B. Raquel-Santos
Executive Vice President – Integrated Resorts

Claire T. Kramer
General Manager – Clubs

Frederic C. DyBuncio
President and Chief Executive Officer
(until March 14, 2017)

Atty. A. Bayani K. Tan
Corporate Secretary

Elizabeth Anne C. Uychaco
Vice Chairperson

Jackson T. Ongsip
Executive Vice President and Chief Financial Officer
(effective March 15, 2017)

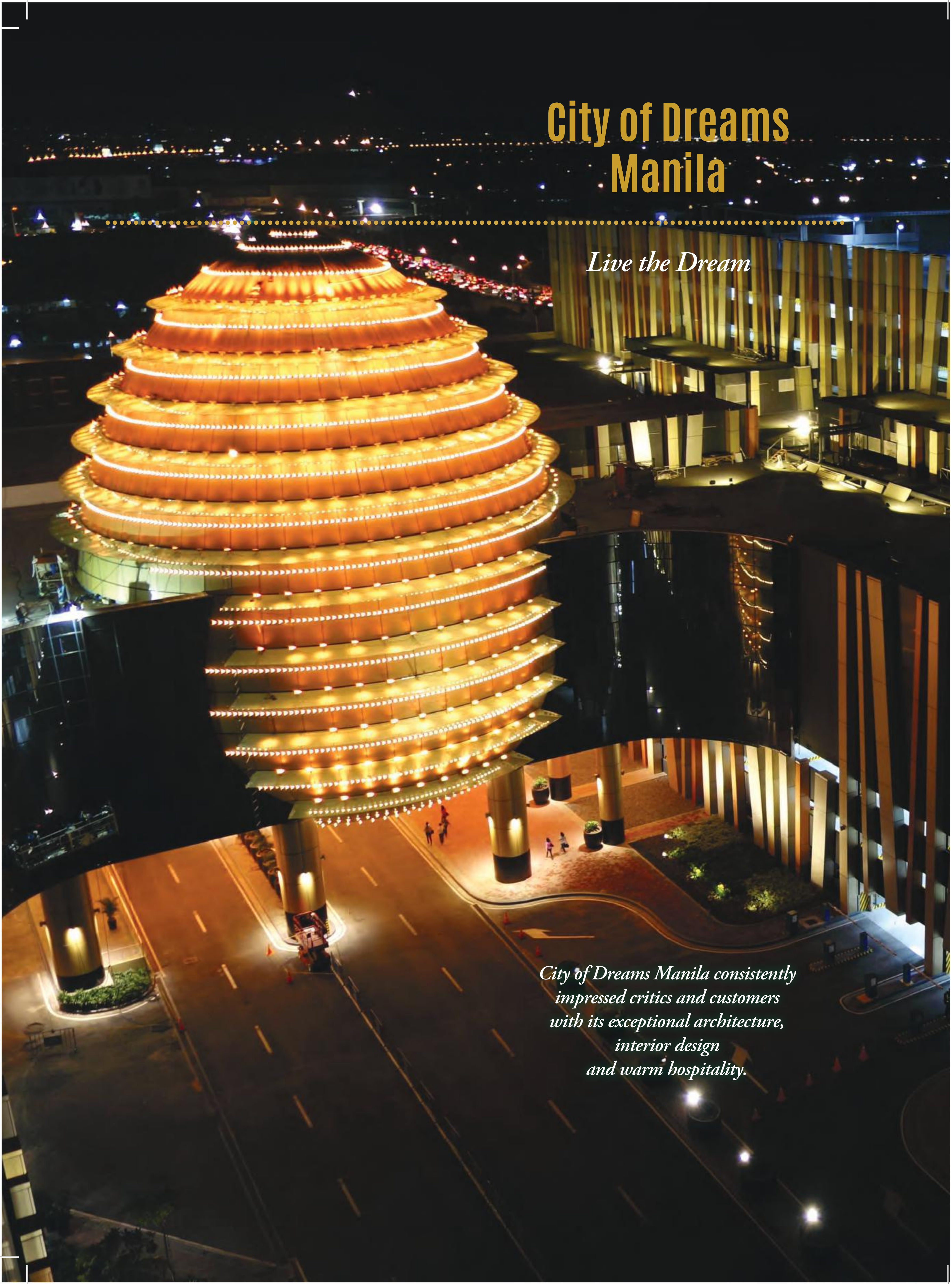
Willy N. Ocier
Vice Chairman

Mary Eleanor A. Mendoza
Senior Vice President – Real Estate Group

Ian Jason R. Aguirre
Senior Vice President and Chief Operations Officer
(until March 14, 2017)

City of Dreams Manila

Live the Dream



City of Dreams Manila consistently impressed critics and customers with its exceptional architecture, interior design and warm hospitality.

City of Dreams Manila, the first venture into the Philippine tourism and gaming market of Melco Crown Entertainment (recently rebranded as Melco Resorts & Entertainment Limited), is exceeding expectations.

City of Dreams Manila, the second City of Dreams to open in the world, boasts three luxury hotels – Crown Towers, Nobu Hotel Manila and Hyatt, lifestyle shops, a wide selection of restaurants and DreamPlay, the Dreamworks animation-inspired interactive play space. This expansive complex located at the Entertainment City in Parañaque City serves as premier gateway to the ultimate experience in dining, gaming, entertainment and accommodation.

Since the complex was opened to the public, City of Dreams Manila consistently impressed critics and customers with its exceptional architecture, interior design and warm hospitality.

In 2016, City of Dreams won the prestigious Casino/ Integrated Resort of the Year at the 8th International Gaming Awards. Matching the renowned reputation of the same brand in other areas such as in Macau, it garnered the top rank in terms of facilities, customer service, games offered, atmosphere, style and design of building. Capping the recognition is the hotel's overall feel, atmosphere and real attention to detail which sets it apart from its rivals, including the quality of service provided by the staff, making the integrated resorts a one-of-a-kind choice among clients, guests and newcomers.

The International Hotel and Property Award was given to Crown Towers Manila for Best Lobby/Public Area/ Lounge in the Global category, and Best Hotel Over 200 Rooms in Asia Pacific, presented by Design et al, a prestigious interior design magazine in Italy.

Crown Towers, Nobu Hotel Manila and Hyatt were awarded by the global travel and review website TripAdvisor in the 2016 Top 25 Luxury Hotels in the Philippines Travelers' Choice Awards. The recognition demonstrates the resort complex's pursuit of providing world-class entertainment and service. The demands of the industry in terms of more accommodation were in part made possible by the presence of these hotels. The hallmarks of Travelers' Choice winners are service, quality, and customer satisfaction.

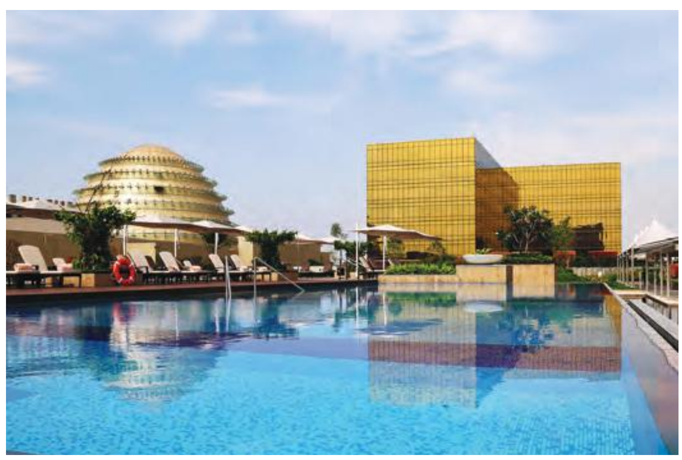
In addition, Hyatt City of Dreams Manila was recognized as among the Top Five Best Hotels in Manila in the Readers' Choice Awards 2016 by the regional travel magazine DestinAsian. Nobu Hotel Manila (the first hotel in Asia of Nobu Hospitality) was likewise featured in ForbesTravelGuide.com's article on "Five Celebrity-Owned Hotels that Make You Feel Like the Star", which lists Robert de Niro's various hotels in partnership with Chef Nobu Matsuhisa.

Three signature restaurants, namely, The Tasting Room, Crystal Dragon and Nobu Restaurant, were listed in the Top 20 Best Restaurants in the Philippine Tatler's Best Restaurants Guide (BRG) 2016, an annual guide published by the Philippine Tatler, a prestigious lifestyle magazine. The listing also included Red Ginger and other restaurants located at The Shops at the Boulevard as among the best restaurants in town.

The local government of Parañaque City also presented an Award of Distinction to City of Dreams Manila in 2016 as a model Parañaque establishment.

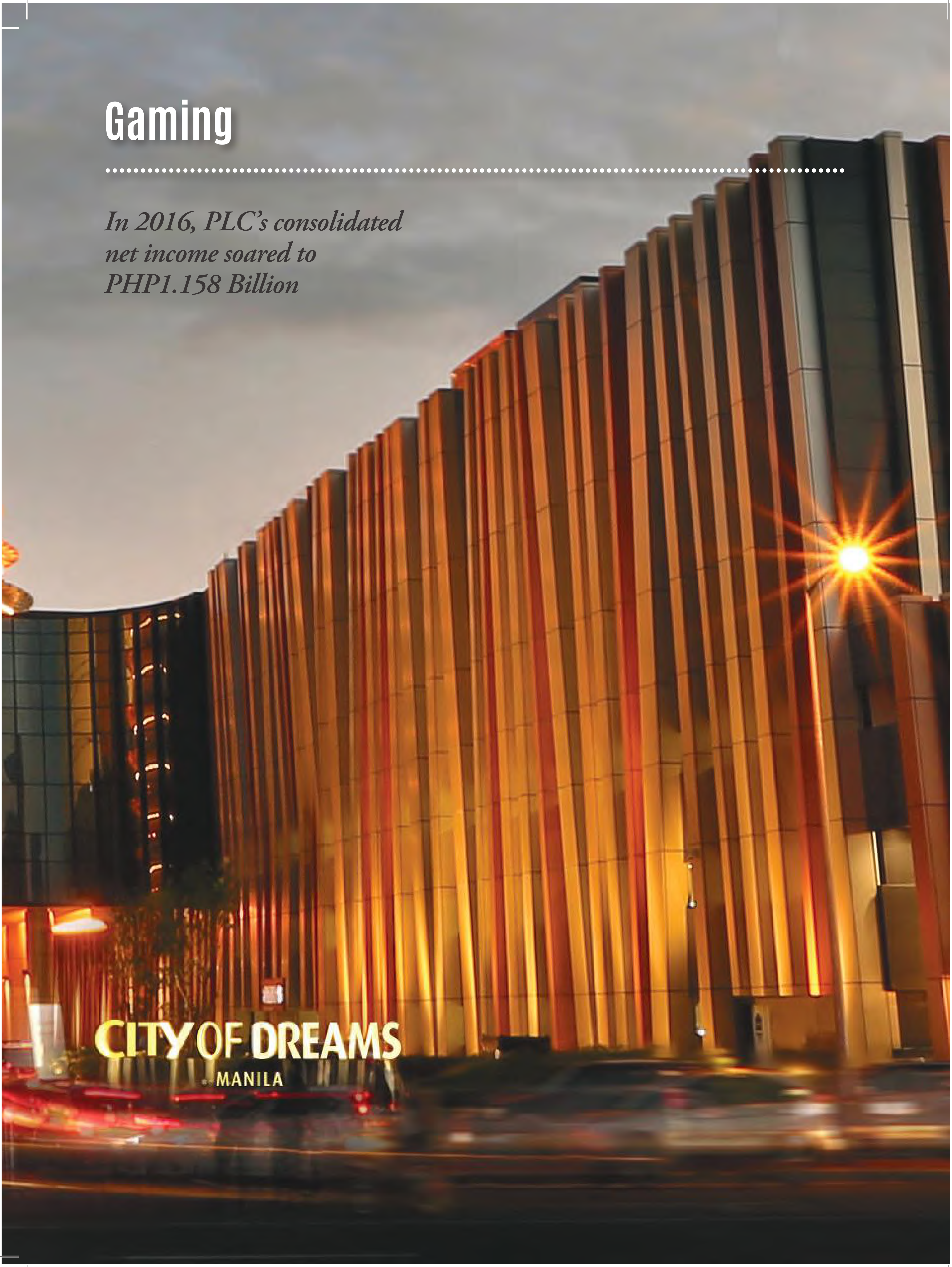
These awards and citations are a testament to the management initiatives to enhance the customer experience and optimize revenues. As a result of greater understanding of customer needs and wants and management's drive to profitably influence customers' preferences, property earnings before interest, taxes, depreciation and amortization (EBITDA) was US$160.3M in 2016, up 189% compared to 2015.

With the robust growth and bright future of Philippine tourism industry, City of Dreams Manila continues to innovate to strengthen its place as the luxury integrated leisure and entertainment resort in the Philippines offering the best-in-class hospitality where customers get to *Live the Dream*.



Gaming

In 2016, PLC's consolidated net income soared to PHP1.158 Billion



Premium Leisure Corp. (PLC), the gaming arm of Belle Corporation, continues to reap the benefits of a developing Philippine gaming market.

PLC holds 100% ownership in PremiumLeisure and Amusement, Inc (PLAI). In 2015, PLAI partnered with Melco Crown Entertainment, a leading developer and operator of integrated gaming resorts in Macau. PLAI is a co-licensee of City of Dreams Manila, Melco's first venture in the Philippine gaming market. The strong profitability of the City of Dreams brand gives PLC a key interest in City of Dreams Manila.

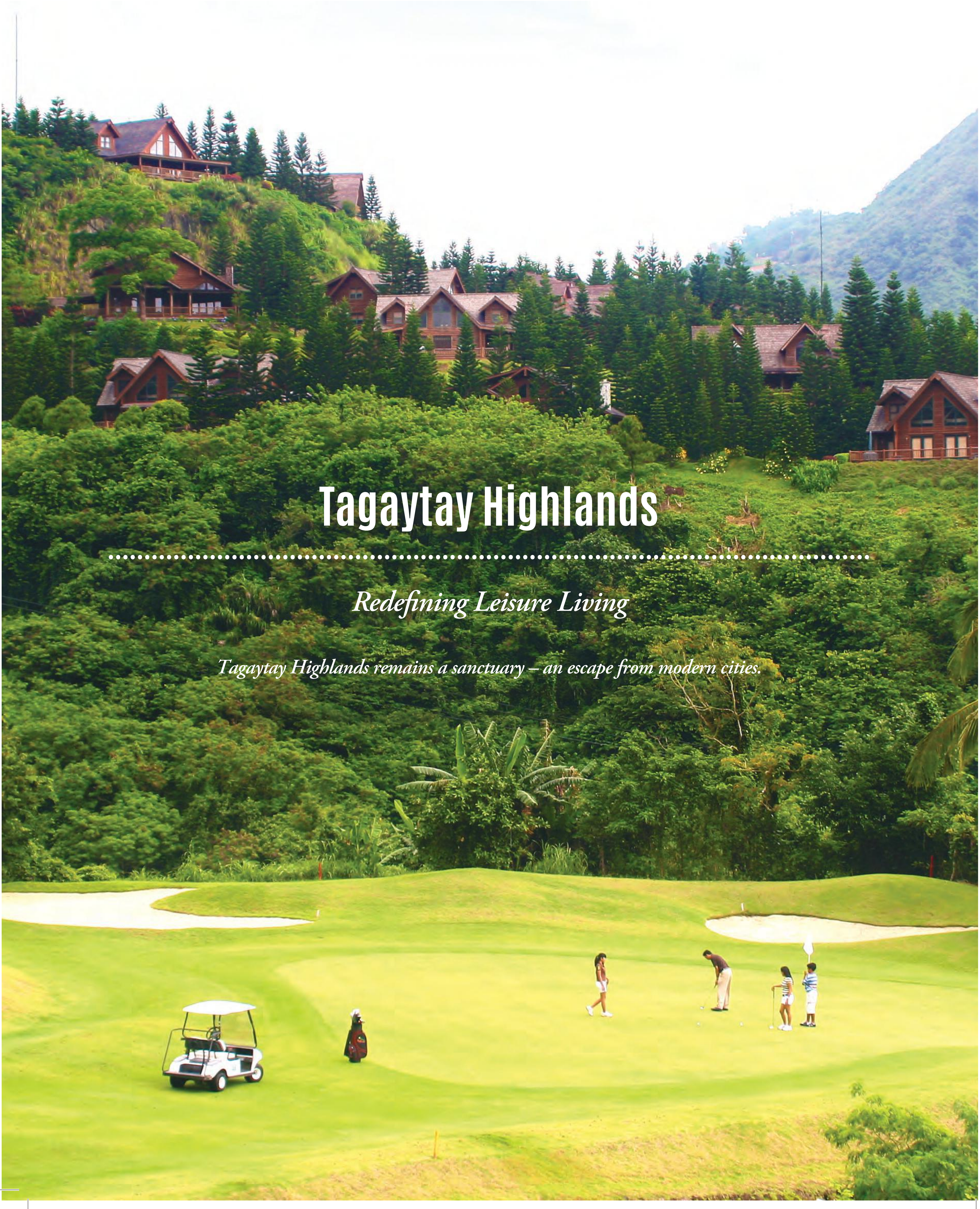
PLC has a 50.1% stake in Pacific Online Systems Corporation (Pacific Online), a publicly listed company that provides lottery software and equipment to the Philippine Charity Sweepstakes Organization (PCSO), the government entity that runs lottery operation in the country. Pacific Online brokers technology from leading global suppliers of integrated gaming systems and leases products to PCSO. Pacific Online enables PCSO to distribute its lottery products nationwide.

In 2016, the Company's consolidated net income soared to ₱1.158 Billion, five times the net income earned in 2015. Full year earnings before interest, income taxes, depreciation and amortization (EBITDA) climbed to ₱1.9 Billion in 2016, more than double the recorded EBITDA in 2015.

The key contributor to this impressive growth is the Company's share in the gaming revenues of City of Dreams Manila. Meanwhile, the controlling interest of PLC in Pacific Online provided additional revenue from equipment leasing, commissions and instant scratch ticket sales.

As a result of this strong performance for the year, PLC declared ₱888 Million in dividends (₱0.0281 per share) in February 2017, around 31% higher than the dividends paid in the previous year and 81% of the Company's unrestricted retained earnings. The Company's minimal capital expenditure requirement, steady revenue and almost zero debt are seen to propel PLC to increasingly better profitability in the coming years.

With the continued optimism towards tourism in the country, PLC remains confident towards future developments. Keeping an eye on growth opportunities in gaming is top priority for the Company to stay ahead of the game.



Tagaytay Highlands

Redefining Leisure Living

Tagaytay Highlands remains a sanctuary – an escape from modern cities.

Tagaytay Highlands, Belle Corporation's premier mountain resort development, remains a top leisure destination in the real estate industry. In 2016, Belle Corporation derived revenues from its property development and management activities in the Tagaytay Highlands and Midlands areas of P586 Million, with net income of P149 million.

As the pioneer in mountain resort living in the Philippines, Tagaytay Highlands continue to thrive with the changing lifestyle trends of city living, providing a sanctuary away from the hustle and bustle of modern cities. From premium residential property developments, Club amenities and service, Tagaytay Highlands does not fail to impress.

Sycamore Heights, a modern Asian-themed community at Lakeside Fairways in Talisay, Batangas, offers breathtaking scenic views of Taal Lake and Volcano, the Midlands fairways, and mountainside. Its exclusive amenities include the Central Park with a pavilion and swimming pool, Lounge Garden, and Bird Watch Park. Alongside the splendor of Sycamore Heights is the vision of Tagaytay Highlands to combine quality comfort and amenities of the village with satisfaction and excellence in our customer value proposition. The development of the entire village is at 98.45% completion as of December 31, 2016 while lot turnovers commenced in the fourth quarter.

Residential lot developments inspired by architecture and culture from around the world – Katsura and Yume derived inspiration from Japanese villages, Tivoli Place was influenced by traditional Italian cities while the vision for Cotswold is that of an English countryside – boast panoramic view of the picturesque Taal Lake and Volcano.

In 2017, Belle's leisure farm community in Greenlands will continue to redefine leisure living, as it promises to deliver a relaxing lifestyle through its newest farm community in Plantation Hills.

Tagaytay Highlands aims to deliver positive memorable experiences to residents and members. The value in the service that it provides has always been the cornerstone of our business. Several enhancements were done and new offerings were developed by the Club to ensure that the community gets the best of leisure living, all year round.


Aerial Walk at the Country Club

Members now have more reasons to enjoy Tagaytay Highlands following great success from new and improved amenities and services. The Game Room at the Sports Center is now equipped with the latest game consoles and PlayStation VR while the indoor lap pool has been redesigned. The introduction of new baby animals at the Animal Farm – a tiger, bearcat, endemic cloud rat, and new African grey parrots - are just among the many upgrades in the Club's ongoing rehabilitation program.

The Country Club further upgrades its interior spaces at The Gourmet Avenue, providing exquisite gastronomic journey it offers at outlets such as Akasaka and Chosun, which will relocate to the Library area. The De Rigueur Café will be a new coffee spot near the terrace featuring signature beverages and gourmet snacks.

More enhancements in the features within the Highlands property is in the works. In the pipeline is the renovation of the Highlands Peak Bar, as well as the conversion of the third floor of the Sports Center into a multi-function Sports Hall with sports flooring. The Aerial Walk has broken ground and the Boot Camp challenge course is underway at the Eco Parks.

The Greenlands will be the premier area for more adventurous attractions to further push Tagaytay Highlands as an eco-tourism destination. The Saratoga Hills subdivision will soon open an eco-lane spot. This will include the launch of a biking course, trail buggy and the relaunch of trekking trails.

Tagaytay Highlands continues to lead the way in promoting world-class features and services. Its promise of providing unparalleled mountain resort living shall continue with more innovative and world-class residential communities and club amenities.


Artist's perspective of Sycamore Heights residences

Corporate Social Responsibility

Belle Corporation endeavors to balance efforts to strengthen profitability with commitment to social good. Inspired by the Corporation's mission to uplift the quality of life in the communities it serves, Belle strives to empower the disadvantaged through civic and environmental initiatives. It is for this reason that the Corporation launched its Corporate Social Responsibility arm – Belle KAAGAPAY.

KAAGAPAY aims to impact societal relevance by means of educating people with sustainable efforts, underscoring solidarity, shared aspirations and responsibility within the community. It has fostered significant partnerships with local communities to implement various socially responsible initiatives on health, education, disaster response, calamity aid and assistance, livelihood, social services and environmental protection.

Kaagapay sa Kalusugan – Feeding Program for School Children

Belle's heart for community involvement continues to be felt in activities concerning public health.

Now on its third year, the Company's feeding program "Kaagapay sa Kalusugan" in partnership with the Department of Education, Lipa Archdiocesan Special Action Commission, Rotary Club of Parañaque – St. Andrews host schools and barangay officials continue to provide chosen beneficiaries with nutrient-rich meals that will restore their sustenance, gain their ideal weight and perform better in schools. Beneficiary school children were those from to Grades 1 to 6 in several public schools located in Tanauan and Talisay, Batangas, and in Barangay Tambo, Parañaque City.

A medical and dental mission was carried out with children and their families at Barangay Calabuso in Tagaytay which benefitted over 450 residents. Free consultations, dental examinations and extractions as well as complimentary vitamins and over-the-counter medications were provided. In addition, to prevent dengue, it engaged in a dengue pesticide donation to the different barangays in Talisay, Batangas.

Eye and Ear Missions were also launched in Belle's host communities in Talisay and Tanauan, Batangas in partnership with the Cataract Foundation of the Philippines. Cataract and ptyregium surgeries were performed as well as discounted reading glasses were made available to more than 250 residents. At least 800 elementary schoolchildren also had their ears checked by an audiologist.

Kaagapay sa Karunungan Scholarship Program

Belle Kaagapay sa Karunungan scholarship program provides educational grant assistance to poor yet deserving students. In its initial phase, the Company selected and sponsored five student-recipients from the SM Foundation's pool of scholars. An additional five more students received a full scholarship in 2015. Through the scholarship program, beneficiaries have gained opportunities to acquire full college education, hone their skills and become productive members of society.

Belle extended its CSR role even in partnership with the government through the Brigada Eskwela project. A covered walkway that leads to the school buildings and library was provided to Suplang Elementary School for the benefit of at least 250 students.

Kaagapay sa Kalikasan One Tree at a Time Project

The Company takes its role in protecting Mother Earth seriously.

Company Founder Mr. Willy Ocier envisioned to have one million trees planted all over Tagaytay Highlands in 50 years. Since 2010, the Company has implemented a yearly program of "One Tree at a Time" by planting tree species indigenous to the area. Tree planting activities continue to be initiated with partnership organizations, corporations and private individuals. To date, approximately half a million trees have already been planted.

The Company partnered with the ASEAN Centre for Biodiversity for public awareness of the value of biodiversity and the need to conserve the same. Belle and Tagaytay Highlands have been duly recognized as Friends of Biodiversity by the ASEAN Centre for Biodiversity.

Kaagapay sa Kabuhayan

In partnership with SM Foundation, Inc., a farmers' livelihood training program was launched inside Tagaytay Highlands, dubbed as Kabalikat sa Kabuhayan. A total of 102 graduates completed the 12-week training program that afforded them simple and practical farming techniques as well as actual field practice. This was culminated by a Harvest Festival where the farmers, partners and other stakeholders gathered to harvest and partake of the bounty while the other organic produce were sold to other patrons.

To further strengthen one of Belle Corporation's vision statements – to enhance the lives of the communities it serves, it has allowed the farmer-trainees to utilize at least half a hectare of land to grow their organic crops, free of charge. This has provided food on the table and ensured food security, and an opportunity for a steady source of income as it has supplied some of the Club's food and beverage outlets vegetable requirements.

Kaagapay sa Kinabukasan Future Projects

Being a responsible member in nation building, the Company is keen to have active involvement by implementing projects on a longer and larger scale to benefit more and more people.

In the language of farming, the CSR story of Belle Corporation is still a sapling, young yet ripe with potential. KAAGAPAY reaffirms the Company's commitment and reliability in partnering with government and society to advance the necessity of cultivating life into communities and putting meaning to shared responsibility, with the end in view of creating empowered and productive citizens thriving in a broad-based economy.

Corporate Governance

Belle Corporation (the "Company") acknowledges the significant role of good governance in the operations of its businesses, increasing shareholder value and sustaining growth. The Company remains fully committed to doing business in accordance with long held values and ethical standards that have been the foundation for its growth and success. The Company's platform of governance remains rooted in its Revised Manual on Corporate Governance and Code of Business Conduct and Ethics, which adhere to the principles of fairness, accountability and transparency. The Company promotes these principles to everyone in the organization and to all of its stakeholders and continues to keep pace with the global corporate governance best practices under the guidance of its Board of Directors (the "Board").

Board of Directors

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

There are three (3) non-executive independent directors, who except for their directors' fees and shareholdings, are independent of management and free from any business or other relationship which, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities as directors in the Company.

The members of the Board are elected by the Company's stockholders during the Annual Stockholders' meeting. The directors hold offices for one (1) year and until their successors are elected following the procedures set forth in the Company's By-Laws. All Board members have been duly screened and deemed eligible and highly qualified by the Nomination Committee. They have undergone accredited training and orientation programs on corporate governance in compliance with the Company's Revised Manual on Corporate Governance.

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected[1] (if ID, state the number of years served as ID)[2]	Elected when (Annual / Special Meeting)
Benito Tan Guat[3]	NED		A. Bayani K. Tan	6/24/1999	4/25/2016	Annual
Emilio S. De Quiros, Jr.[4]	NED		A. Bayani K. Tan	10/28/2010	4/25/2016	Annual
Willy N. Ocier	ED		A. Bayani K. Tan	6/24/1999	4/25/2016	Annual
Elizabeth Anne C. Uychaco	NED	SM Group	A. Bayani K. Tan	12/23/2009	4/25/2016	Annual
Frederic C. DyBuncio[5]	ED	SM Group	A. Bayani K. Tan	04/22/2013	4/25/2016	Annual
Manuel A. Gana[6]	ED		A. Bayani K. Tan	03/15/2017	See Note 6	See Note 6
Gonzalo T. Duque[7]	NED	SSS	A. Bayani K. Tan	02/28/2017	See Note 7	See Note 7
Jacinto C. Ng, Jr.	NED		A. Bayani K. Tan	08/07/2000	4/25/2016	Annual
Jose T. Sio	NED	SM Group	A. Bayani K. Tan	12/23/2009	4/25/2016	Annual
Virginia A. Yap	NED	SM Group	A. Bayani K. Tan	7/30/2010	4/25/2016	Annual
Gregorio U. Kilayko	ID		Willy N. Ocier (not related)	02/05/2003	4/25/2016 (<5 years)	Annual
Washington Z. SyCip	ID		Jose T. Sio (not related)	05/20/1996	4/25/2016 (<5 years)	Annual
Cesar E. A. Virata	ID		Virginia A. Yap (not related)	05/20/1996	4/25/2016 (<5 years)	Annual

[1] *Annual Stockholders' Meeting*
[2] *Reckoned from the election immediately following 02 Jan 2012*
[3] *Mr. Tan Guat served as Chairman of the Board until he passed away in June 2016.*
[4] *Mr. De Quiros was appointed Chairman of the Board on 05 Aug 2016 to fill in the vacancy left when Mr. Tan Guat passed away.*
[5] *Mr. DyBuncio resigned as President and CEO of Belle and was appointed Adviser to the Board effective 15 March 2017.*
[6] *Mr. Gana was appointed as Director, President and CEO of Belle on 28 Feb 2017, effective 15 March 2017.*
[7] *Dr. Duque was appointed Member of the Board of Directors on 28 Feb 2017.*

The Chairman and the President

The Chairman of the Board and the President are separate individuals, whose functions and responsibilities are laid out in the Revised Manual on Corporate Governance. Only two (2) members of the Board are executive directors, namely the Vice Chairman, Mr. Willy N. Ocier, and the President and Chief Executive Officer, Mr. Frederic C. DyBuncio.

Board Committees (2016)

To address specific tasks and responsibilities and help focus on specific corporate governance responsibilities, the Board created seven (7) committees, namely the Executive Committee, the Audit Committee, the Nomination Committee, the Compensation and Remuneration Committee, the Risk Management Committee, the Related Party Transactions Committee, and the Corporate Governance Committee. Each Committee has adopted a Charter which outlines its purpose, composition, roles and responsibilities based on the Revised Manual of Corporate Governance. Furthermore, the Charters include administrative provisions on the conduct of meetings and proceedings and reporting to the Board and Committee Advisors.

Executive Committee

The Executive Committee oversees the management of the Company and is responsible for the Company's finances, goals, and policies. Further, it is also tasked to foster the long-term success of the Company and sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders through sound strategic directions and policies, guidelines and programs that can sustain the Company's long-term viability and strength.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%
Chairman (ED)	Willy N. Ocier	04/25/2016	8	7	88%
Member (ED)	Frederic C. DyBuncio	04/25/2016	8	5	63%
Member (NED)	Elizabeth Anne C. Uychaco	04/25/2016	8	7	88%
Member (NED)	Jacinto C. Ng, Jr.	04/25/2016	8	6	75%
Member (NED)	Virginia A. Yap	04/25/2016	8	7	88%

Audit Committee

The Audit Committee directly interfaces with the internal and external auditors in the conduct of their duties and responsibilities. Its mandate includes the review of the Company's financial reports and subsequent recommendation to the Board for approval. It likewise assists and advises the Board Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's accounting, financial reporting, auditing practices and internal control systems and adherence to over-all corporate governance best practice. The Committee also oversees the Company's process for monitoring compliance with laws, regulations, the Code of Business Conduct and Ethics, and performs other duties as the Board may require.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%
Chairman (ID)	Gregorio U. Kilayko	04/25/2016	4	4	100%
Member (ID)	Cesar E. A. Virata	04/25/2016	4	4	100%
Member (NED)	Jacinto C. Ng, Jr.	04/25/2016	4	2	50%

Compensation and Remuneration Committee

The Compensation and Remuneration Committee is tasked to decide, determine and approve by a majority vote matters relating to compensation, remuneration and benefits of the Company's officers and directors and to provide communications with the Board of Directors and, and as appropriate, communications with shareholders and regulators.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%
Chairman (ID)	Gregorio U. Kilayko	04/25/2016	1	1	100%
Member (ID)	Cesar E. A. Virata	04/25/2016	1	1	100%
Member (NED)	Elizabeth Anne C. Uychaco	04/25/2016	1	1	100%

Corporate Governance Committee

The Corporate Governance Committee is tasked to advise and assist the Board of Directors in performing its responsibilities with regard to corporate governance compliance in relation to the Company's Manual of Corporate Governance, PSE's rules on disclosures and corporate governance guidelines of the SEC. Likewise, it shall also be responsible for monitoring the trends on corporate governance and for making the appropriate recommendations to the Board of Directors.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%
Chairman (ID)	Gregorio U. Kilayko	04/25/2016	3	3	100%
Member (ID)	Cesar E. A. Virata	04/25/2016	3	3	100%
Member (ED)	Frederic C. DyBuncio	04/25/2016	3	3	100%

Nomination Committee

The Nomination Committee is primarily responsible for evaluating all candidates nominated to become a member of the Board in accordance with the qualifications and disqualifications provided under the Company's Revised Manual on Corporate Governance and all relevant rules and regulations. Likewise, it may identify through professional search firms or other similar mechanisms, and recommend candidates to fill vacancies occurring between annual shareholder meetings, and to provide communications with the Board and, as appropriate, communications with the shareholders and regulators. The Committee ensures that all candidates nominated shall possess the ideals and values that are aligned to the Company's vision and mission statements.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%
Chairman (ID)	Washington Z. SyCip	04/25/2016	3	3	100%
Member (ID)	Cesar E. A. Virata	04/25/2016	3	3	100%
Member (ID)	Gregorio U. Kilayko	04/25/2016	3	1	33%

Related Party Transactions Committee

The Related Party Transactions Committee shall assess material agreements with related parties to ensure that the RPT transactions are conducted at market rates and on an arm's length basis. For this purpose, transactions considered material are subject for review by the RPT Committee prior to Board approval and Management execution.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%
Chairman (ID)	Cesar E. A. Virata	04/25/2016	1	1	100%
Member (ID)	Washington Z. SyCip	04/25/2016	1	1	100%
Member (ID)	Gregorio U. Kilayko	04/25/2016	1	1	100%

Risk Management Committee

Under its Charter, the Committee assists and advises the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's business and financial risk profile, risk management system and accomplishment of its objectives. In addition, the Committee ensures that Management sufficiently and swiftly manages risks (i.e. reduction and mitigation across operating units) especially those categorized as having high impact with high probability of occurring.

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%
Chairman (ID)	Gregorio U. Kilayko	04/25/2016	2	2	100%
Member (NED)	Jacinto C. Ng, Jr.	04/25/2016	2	2	100%
Member (ID)	Cesar E. A. Virata	04/25/2016	2	2	100%

Board Performance and Attendance

Regular meetings of the Board are held regularly, but special meetings may be called by the Chairman, the President or Corporate Secretary. A director's absence or non-participation for whatever reason in more than 50% of all meetings, both regular and special, in a year is a ground for temporary disqualification in the succeeding election. During 2016, all of the Company's Directors have complied with all requirements.

Name	Date of Meeting (2016)							
	Feb 29	Mar 15	Apr 25	Apr 25**	Aug 5	Sep 28	Nov 8	Dec 16
Benito Tan Guat*	√	√	√	√				
Willy N. Ocier	√	√	√	√	√	-	√	√
Elizabeth Anne C. Uychaco	√	√	√	√	√	√	√	√
Frederic C. DyBuncio	√	√	√	√	√	√	√	√
Emilio S. De Quiros, Jr.	√	√	√	√	√	√	√	√
Gregorio U. Kilayko	√	√	√	√	√	-	√	√
Jacinto C. Ng, Jr.	√	√	√	√	√	√	√	√
Jose T. Sio	√	√	√	√	√	√	√	√
Washington Z. SyCip	√	√	√	√	√	√	√	√
Cesar E. A. Virata	√	√	√	√	√	√	√	√
Virginia A. Yap	√	√	√	√	√	√	√	√

**Ceased to be a Director due to death*
***Organizational Meeting*

Corporate Governance-related Policies

The Company's good corporate governance culture is embodied in its Revised Manual on Corporate Governance and Code of Business Conduct and Ethics. Furthermore, the Company has adopted and implemented several policies and programs relating to corporate governance, which are regularly reviewed and enhanced.

The Manual on Corporate Governance

The Revised Manual on Corporate Governance institutionalizes the principles of good corporate governance throughout the organization. It lays down the Company's compliance system and identifies the responsibilities of the Board and Management in relation to good corporate governance. It also states the Company's policies on disclosure and transparency, and mandates the conduct of communication and training programs on corporate governance.

The Manual further provides the rights of all the shareholders and the protection of the interest of the minority stockholders. The Board is committed to respect the following rights of the stockholders:

Right to Nominate
- Shareholders, whether majority or minority, shall have the right to nominate candidates for seats in the Board of Directors who must have the qualifications and none of the disqualifications of Directors as stated in the Company's Revised Manual for Corporate Governance.

Voting Right
- Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code of the Philippines, including decisions concerning corporate changes such as:
  - Amendments to the Company's constitution
  - Authorization of additional shares
  - Transfer of all or substantially all assets, which in effect results in the sale of the Company
- Cumulative voting shall be used in the election of directors.
- The Board shall be transparent and fair in the conduct of the meetings of the shareholders. The shareholders shall be encouraged to personally attend such meetings, and that if they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the right to designate a proxy shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in favor of the shareholder.
- A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

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

Right to Information
- The Board shall ensure that all material information about the Company which could adversely affect its viability or the interests of the shareholders shall be publicly and timely disclosed through established procedures of the Philippine Stock Exchange (PSE) and Philippine Securities and Exchange Commission (SEC).

- Upon request, the Company shall provide the stockholders with periodic reports and information about directors and officers, and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers and the aggregate compensation of directors and officers.
- The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
- The minority shareholders shall have access to all information relating matters for which the management is accountable and to those relating to matters for which the management should include in such information. If not included the minority shareholders can propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes."

Right to Dividends

- Subject to the discretion of the Board, all stockholders shall have the right to receive dividends.
- The Company, while ensuring financial flexibility, shall endeavor to declare annual regular cash dividends exceeding 30% of the prior year's net income from continuing operations.
- Dividends shall be paid to all shareholders within thirty (30) days from declaration.
- The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except:

  a. When justified by definite corporate expansion projects or programs approved by the Board;

  b. When the Company is prohibited from declaring dividends under any loan agreement with any financial institution or creditor, whether local or foreign, without its consent, and such consent has not been secured;

  c. When it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

Appraisal Right

- The stockholders shall have appraisal right to dissent and demand payment of the fair value of their shares in the manner provided under Section 82 of the Corporation Code, under any of the following circumstances:

  a. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

  b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code.

  c. In case of merger or consolidation.

The Revised Manual on Corporate Governance likewise sets the penalties for non-compliance with the Manual and is regularly reviewed to ensure compliance with regulatory advancements and to keep pace with the constant development of corporate governance best practices.

The Code of Business Conduct and Ethics

The Code of Business Conduct and Ethics reaffirms the Company's commitment to the highest standards of ethics and good corporate governance in the pursuit of the Company's mission and vision to serve the best interest of its stakeholders. The Code also sets guidelines for the Company's directors, officers, and employees in the performance of their duties and responsibilities in the manner that they deal with investors, creditors, customers, contractors, suppliers, regulators and the public. Further, it stresses the importance of integrity in the relationships and dealings with business partners, the Company's duties regarding employee welfare, the rights of shareholders, and the protection of Company information assets and promotes corporate social responsibility.

Other Corporate Governance-Related Policies

Conflict of Interest

All business decisions and actions must be based on the best interest of the Company and not motivated by personal considerations or relationships which may interfere with the exercise of independent judgment. All directors, officers and employees are required to promptly disclose any financial or personal interest in any transaction involving the Company to ensure that potential conflicts of interest are brought to the attention of Management. Likewise, they should act with utmost integrity and shall not engage in unfair dealing practices. The Company prohibits any conflict of interest, unfair competition, breach of trust, insider trading, or any other act inimical to the Company's interest.

Conduct of Business and Fair Dealings

All directors, officers and employees shall at all times observe propriety and act with fairness and transparency in dealing with business partners (i.e. contractors, suppliers, creditors and other entities that engage in business with the Company). They must adhere to the Company's principles of healthy competition, equal opportunity and fair treatment of business partners.

Acceptance of Gifts

The Company prohibits the solicitation or acceptance of gifts in any form from a business partner directly or indirectly, by any director, officer or employee of the Company. The term gift covers anything of value, such but not limited to cash or cash equivalent. The guidelines provide exceptions such as corporate give-aways, tokens or promotional items of nominal value. When it is deemed improper to refuse a gift, the issue is elevated to Management for proper disposition.

Insider Trading Policy

Directors, officers and employees who have access to material, confidential and stock price-sensitive information (i.e. information on business transactions that have not yet been disclosed to the public) are prohibited from trading in the Company's shares within five (5) trading days before and two (2) trading days after the disclosure of quarterly and annual financial results and any other material information. All directors and key officers are required to disclose their trading of company shares within three (3) business days.

Disciplinary Action

All directors, officers and employees commit to comply with both the letter and spirit of the Code of Business Conduct and Ethics to preserve goodwill and reputation of the Company.

Disciplinary action or penalties shall be imposed immediately or as soon as possible after the offense has been established. Due process of law and the right to a prompt hearing will be accorded to the employee. Disciplinary actions should in no instance be violative of labor laws and practices.

Policy on Accountability, Integrity and Vigilance (Whistle-blowing Policy)

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

Related Party Transactions

The Company discloses in detail the nature, extent and all other material information on transactions with related parties in its financial statements and quarterly and annual reports to the SEC and PSE. Management regularly presents the details of transactions entered into by the Company with related parties at the meetings of the Risk Management Committee. This is to ensure that it conducts all related-party transactions are conducted at arm-length's basis and at market rates.

The Directors are required to abstain from participating in any board decision, deliberation and decision-making concerning any issue or transaction where they are conflicted.

Alternative Dispute Resolution System

The Company ensures that it maintains an alternative dispute resolution system to settle conflicts between the Company and its stockholders or other third parties, including regulatory authorities.

The full downloadable versions of Belle's Revised Manual on Corporate Governance, the Code of Business Conduct and Ethics, other corporate governance-related policies, disclosures and other company information are available to the public through its website, **www.bellecorp.com**.

For issues or concerns, stakeholders may refer to:

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Vice President for Governance and Corporate Affairs
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Palm Coast Avenue, Mall of Asia Complex
Pasay City, 1300 Philippines
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E: michelle.hernandez@bellecorp.com

Financial Statements

Selected Financial and Operating Data

CONSOLIDATED STATEMENTS OF FINANCIAL PERFORMANCE

(Amounts in Millions of Pesos)	**2016**	2015	2014	2013	2012
Total operating revenues	**6,322**	5,352	3,317	2,792	494
Cost and expenses	**(2,699)**	(2,321)	(1,290)	(818)	(465)
Income from operations	**3,623**	3,031	2,027	1,974	29
Financial income and other income (expenses)	**353**	(590)	1,040	1,930	685
Tax provision	**(880)**	(669)	(143)	(1,334)	(158)
Minority interest	**396**	238	354	(4)	-
Consolidated income after taxes	**3,096**	1,772	2,924	2,570	556
Recurring net income	**2,076**	1,334	1,036	572	122

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

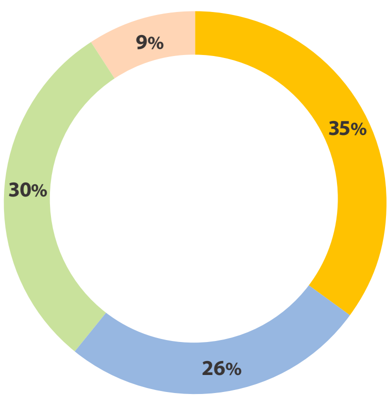
Total assets	**41,565**	42,738	40,537	30,492	25,462
Total debt	**6,741**	6,103	4,750	5,793	6,801
Total liabilities	**13,821**	17,001	13,800	11,514	8,839
Equity	**27,744**	25,737	26,737	18,978	16,623

Belle Historical Revenues and Earnings

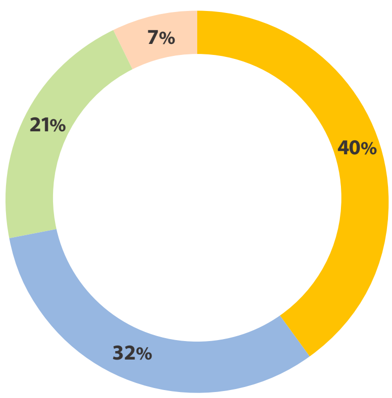
(Amounts in Php millions except percentages)	FY 2016	FY 2015	FY 2014	FY 2013
CONSOLIDATED				
REVENUE	6,322	5,352	3,317	2,624
EBITDA	3,678	2,756	1,413	1,841
EBIT	3,167	2,225	1,349	1,806
Net income	3,096	1,772	2,557	3,636
Recurring net income	2,076	1,334	1,036	572
Belle dividend payments:				
Regular	1,003	1,003	211	-
Special	-	1,900	-	-
ROE	11.7%	6.8%	10.7%	3.4%
City of Dreams Lease				
Revenue	2,194	2,108	1,598	1,335
EBITDA	1,465	1,258	1,053	1,048
Net Income	602	595	485	2,976
Premium Leisure Corp. **(excl. Pacific Online and intercompany dividends)**				
Revenue	1,643	756	39	-
EBITDA	1,187	640	(31)	(9)
Net Income	753	266	1,160	(9)
Pacific Online Systems Corporation **(excl. intercompany dividends)***				
Revenue	1,888	1,718	1,731	1,646
EBITDA	769	623	663	556
Net Income	392	323	346	325
Property Development and Management **(excl. mark to market gains on club shares)**				
Revenue	586	590	474	340
EBITDA	257	235	260	164
Net Income	149	68	43	67

**Pacific Online was consolidated into Belle's financials starting June 2014. Prior to June 2014, Pacific Online's net income was equitized in Belle's income statement. For comparability, Pacific Online's revenues and earnings for 2014 and 2013 are shown herein on a full year basis.*

REVENUE MIX - FISCAL YEAR 2016



EBITDA MIX FISCAL YEAR 2016



City of Dreams Lease

Premium Leisure Corp. (excl. Pacific Online and intercompany dividends)

Pacific Online Systems Corporation (excl. intercompany dividends)

Property Development and Management (excl. mark to market gains on club shares)

Management Discussion and Analysis of Operating Performance and Financial Condition

December 31, 2016 versus December 31, 2015 Results of Operations (in thousands)

	Year Ended December 31 (Audited)		Horizontal Analysis		Vertical Analysis	
	2016	2015 (as restated)	Increase (Decrease)		2016	2015
REVENUE						
Interest income on finance lease	**₱2,003,840**	₱1,917,354	**₱86,486**	4.5%	**31.7%**	35.8%
Gaming revenue share – net	**1,642,976**	756,238	**886,738**	117.3%	**26.0%**	14.1%
Equipment rental	**1,579,661**	1,459,237	**120,424**	8.3%	**25.0%**	27.3%
Sale of real estate	**350,253**	354,774	**(4,521)**	-1.3%	**5.5%**	6.6%
Commission and distribution income	**308,438**	259,081	**49,357**	19.1%	**4.9%**	4.8%
Lease income	**190,042**	190,906	**(864)**	-0.5%	**3.0%**	3.6%
Revenue from property management	**127,168**	112,682	**14,486**	12.9%	**2.0%**	2.1%
Others	**119,130**	301,405	**(182,275)**	-60.5%	**1.9%**	5.6%
TOTAL REVENUES	**6,321,508**	5,351,677	**969,831**	18.1%	**100.0%**	100.0%
COST OF LOTTERY SERVICES	**(931,263)**	(827,032)	**104,231**	12.6%	**14.7%**	15.5%
COST OF GAMING OPERATIONS	**(416,507)**	(382,023)	**34,484**	9.0%	**6.6%**	7.1%
COST OF LEASE INCOME	**(209,391)**	(152,584)	**56,807**	37.2%	**3.3%**	2.9%
COST OF REAL ESTATE	**(120,517)**	(160,976)	**(40,459)**	-25.1%	**1.9%**	3.0%
COST OF SERVICES OF PROPERTY MANAGEMENT	**(63,813)**	(80,208)	**(16,395)**	-20.4%	**1.0%**	1.5%
GENERAL AND ADMINISTRATIVE EXPENSES	**(957,280)**	(718,524)	**238,756**	33.2%	**15.1%**	13.4%
TOTAL COSTS AND EXPENSES	**(2,698,771)**	(2,321,347)	**377,424**	16.3%	**-42.7%**	-43.4%
INCOME FROM OPERATIONS	**3,622,737**	3,030,330	**592,407**	19.5%	**57.3%**	56.6%
ACCRETION OF NONTRADE LIABILITY	**(455,229)**	(651,684)	**(196,455)**	-30.1%	**-7.2%**	-12.2%
INTEREST EXPENSE	**(355,779)**	(273,977)	**81,802**	29.9%	**-5.6%**	-5.1%
UNREALIZED GAIN ON MARKETABLE SECURITIES	**148,554**	150,646	**(2,092)**	-1.4%	**2.3%**	2.8%
INTEREST INCOME	**28,782**	34,470	**(5,688)**	-16.5%	**0.5%**	0.6%
GAIN ON FINANCE LEASE	**15,882**	-	**15,882**	n/a	**0.3%**	0.0%
NET FOREIGN EXCHANGE GAIN (LOSS)	**(10,816)**	36,135	**(46,951)**	-129.9%	**-0.2%**	0.7%
EQUITY IN NET EARNINGS OF ASSOCIATES	**-**	27,340	**(27,340)**	n/a	**0.0%**	0.5%
OTHER INCOME	**981,628**	87,855	**893,773**	1017.3%	**15.5%**	1.6%
INCOME BEFORE INCOME TAX	**3,975,759**	2,441,115	**1,534,644**	62.9%	**62.9%**	45.6%
PROVISION FOR INCOME TAXES						
Current	**283,461**	306,296	**(22,835)**	-7.5%	**4.5%**	5.7%
Deferred	**596,175**	363,038	**233,137**	64.2%	**9.4%**	6.8%
	879,636	669,334	**210,302**	31.4%	**13.9%**	12.5%
NET INCOME	**₱3,096,123**	₱1,771,781	**₱1,324,342**	74.7%	**49.0%**	33.1%

Belle Corporation realized consolidated net income of ₱3,096.1 million for 2016, which is ₱1,324.3 million (75%) higher than net income of ₱1,771.8 million for 2015. Excluding extraordinary items, principally a capital gain of ₱352 million on the sale of 26 million shares of SM Prime Holdings, Inc. in July 2016, Belle's recurring net income of ₱2,076.2 million for 2016 was higher by ₱737 million (55%) over recurring net income for 2015 of ₱1,334.2 million. This performance continues Belle's record of underlying earnings growth. Due to the Company's strong profitability, it declared a cash dividend of nine-and-a half centavos (₱0.095) per share to its common shareholders on February 28, 2017. This equates to a total dividend payment of ₱1,000.0 million, payable on March 30, 2017 to shareholders of record as of March 14, 2017.

Management Discussion and Analysis of Operating Performance and Financial Condition

The Company's operating growth in 2016 was fueled primarily by growth in its revenues from City of Dreams Manila. Its share in the gaming income of City of Dreams Manila, through its 78.7%-owned subsidiary, Premium Leisure Corporation (PLC), more than doubled to ₱1,643.0 million in 2016 from ₱756 million in 2015. This was attributable to the ramp-up in gaming operations at City of Dreams Manila, which held its grand opening in February 2015. PLC has an operating agreement with Melco Crown Entertainment Limited (MCE) that accords it a share of gaming revenues or earnings at City of Dreams Manila.

Belle also realized higher revenues from its real estate businesses. Total real estate-related revenues increased by ₱90 million (3%), from ₱2.69 billion in 2015 to ₱2.78 billion in 2016. Of its 2016 revenues ₱2.19 billion were derived from its lease of the land and buildings comprising City of Dreams Manila to MCE, with the balance of ₱586 million coming from sales of real estate products and property management activities at its Tagaytay Highlands and Midlands residential and leisure complexes south of Metro Manila.

Revenues

Total revenues of ₱6,321.5 million for the year ended December 31, 2016 were higher by ₱969.8 million (18%), compared to ₱5,351.7 million for the year ended December 31, 2015, mainly due to a ₱886.7 million (117%) increase in the share of PLC in the gaming revenue of City of Dreams Manila from ₱756.2 million for 2015 to ₱1,643.0 million for 2016. In addition, the Company's revenue from the lease of the City of Dreams Manila building (interest income on finance lease accounting) increased by ₱86.5 million (5%), from ₱1,917.4 million in 2015 to ₱2,003.8 million during 2016, and Pacific Online's revenues from equipment rental, distribution and commissions increased by ₱170.0 million (10%) from ₱1,718.1 million in 2015 to ₱1,888.1 million in 2016. These revenue increases were offset by a ₱187.0 million (28%) decrease in revenue from sales of real estate and other revenue, as this declined from ₱656.4 million in 2015 to ₱469.4 million in the 2016.

Costs of Lottery Services

Costs of lottery services at Pacific Online increased by ₱104.2 million (13%), to ₱931.3 million in 2016, from ₱827.0 million in 2015, mainly due to increased depreciation expenses for lottery equipment and professional fees.

Costs of Lease Income

Costs of lease income increased by ₱56.8 million (37%), to ₱209.4 million in 2016 from ₱152.6 million in 2015, mainly due to higher real estate taxes on the City of Dreams Manila building.

Costs of Real Estate

Costs of real estate decreased by ₱40.5 million (25%), to ₱120.5 million in 2016, from ₱161.0 million in 2015, due to the lower sales revenue therefrom recognized during the period.

Costs of Services of Property Management

Cost of services of property management decreased by ₱16.4 million (20%) to ₱63.8 million for 2016, from ₱80.2 million for 2015, due to lower power and water usage by customers during the 2016 period.

Costs of Gaming Operations

Cost of gaming operations increased by ₱34.5 million (9%) to ₱416.5 million for 2016, from ₱382.0 million for 2015, due to higher consultancy fees and other costs at PremiumLeisure and Amusement, Inc. ("PLAI"), given the ramp-up of gaming operations at City of Dreams Manila since the first half of 2015.

Management Discussion and Analysis of Operating Performance and Financial Condition

General and Administrative Expenses

General and administrative expenses increased by ₱238.8 million (33%), to ₱957.3 million for 2016 from ₱718.5 million for 2015, due to increased expenses relating to salaries, management and professional fees and provisions for probable losses.

Financial Income (Expense)

Interest expense increased by ₱81.8 million (30%) to ₱355.8 million for 2016, from ₱274.0 million for 2015. The increase in interest expense was due to the Company's higher level of borrowings in 2016, which were incurred mostly to finance payments of construction contracts in respect of the City of Dreams Manila building. Interest income decreased by ₱5.7 million (17%), to ₱28.8 million in 2016, from ₱34.5 million in 2015, due to decreases in average invested cash levels.

Unrealized Gain on Marketable Securities

During 2016, Belle reclassified its club shares from inventory to investments held from trading within its current assets in compliance with Philippine Interpretations Committee (PIC) Q&A No. 2016-02 on *Philippine Accounting Standards (PAS) 32 and 38 - Accounting Treatment of Club Shares Held by an Entity*. This resulted in the recognition of unrealized mark-to-market gains on such club shares of ₱185.7 million in 2016, ₱194.1 million in 2015 and ₱231.8 million in 2014. Belle's financial statements for the years 2015 and 2014 were thus restated for consistent application of PAS 32 and 38, and for comparability. The unrealized gains on club shares were offset by unrealized losses on marketable securities held by Pacific Online, amounting to ₱37.1 million in 2016 and ₱43.5 million in 2015.

Other Income

This includes (1) gain on the sale of SM Prime shares held by Belle, total number of SM Prime shares sold is 26.0 million at an average selling price of ₱29.98 per share in 2016 and 16.5 million shares sold at an average selling price of ₱29.98 per share in 2015, (2) gain on pre-termination of ABLGI agreement. On November 3, 2016, Belle, PLAI, BGRH, ABLGI and LRWC signed an agreement to terminate the MOA of 2013 by the end of March 2017. Under the agreement, Belle will pay, and ABLGI will receive, a total consideration of ₱5.09 billion. Of the total consideration, ₱1,018.0 million was paid upon signing and the balance will be paid simultaneous with the termination of the MOA on March 31, 2017. The gain pertains to the difference between the recorded nontrade liability to ABLGI as of November 31, 2016 of ₱5,414.8 million and the final settlement amount of ₱4,780.0 million.

Equity in Net Earnings of Associates

Equity in net earnings of associates of ₱27.3 million in 2015 refers to Belle's 47% share in the net income of Woodland Development Corporation ("WDC"). The Company sold its entire 47% interest in WDC in May 2016.

Provision for Income Taxes

The provision for income taxes increased by ₱210.3 million (31%) to ₱879.6 million for the year ended December 31, 2016, from ₱669.3 million for the year ended December 31, 2015, due to higher taxable income in 2016 as a result of higher revenue.

Net Income

As a result of the foregoing, the Company realized consolidated net income of ₱3,096.1 million for the year ended December 31, 2016. This is ₱1,324.3 million (75%) higher than consolidated net income of ₱1,771.8 million for the year ended December 31, 2015. The Company's consistent profitability allowed the Company to pay a regular cash dividend on March 29, 2016 in the amount of ₱1,003.3 million (₱0.095 per share), and to declare a regular cash dividend on February 28, 2017 (payable on March 30, 2017), in the amount of P1,000.0 million (₱0.095 per share).

Management Discussion and Analysis of Operating Performance and Financial Condition

December 31, 2016 vs December 31, 2015 Statement of Financial Position (in thousands)

	December 31, 2016 Audited	December 31, 2015 as Restated Audited	Horizontal Analysis Inc (Dec)	%	Vertical Analysis 2016	2015
ASSETS						
Current Assets						
Cash and cash equivalents	**₱2,953,262**	₱3,570,065	(₱616,803)	-17.3%	**7.1%**	8.4%
Investments held for trading	**2,232,710**	2,124,947	107,763	5.1%	**5.4%**	5.0%
Receivables	**1,881,754**	1,624,433	257,321	15.8%	**4.5%**	3.8%
Current portion of finance lease receivable	**1,541,035**	1,419,651	121,384	8.6%	**3.7%**	3.3%
Real estate for sale	**802,854**	843,074	(40,220)	-4.8%	**1.9%**	2.0%
Other current assets	**1,210,973**	2,323,619	(1,112,646)	-47.9%	**2.9%**	5.4%
	10,622,588	11,905,789	(1,283,201)	-10.8%	**25.6%**	27.9%
Noncurrent Assets						
Land held for future development	**3,092,399**	3,018,515	73,884	2.4%	**7.4%**	7.1%
Finance lease receivable - net of current portion	**16,104,586**	15,725,603	378,983	2.4%	**38.7%**	36.8%
Investments in and advances to associates - net	**77,903**	65,364	12,539	19.2%	**0.2%**	0.2%
Available-for-sale financial assets	**2,026,944**	2,148,003	(121,059)	-5.6%	**4.9%**	5.0%
Investment properties	**1,540,961**	1,540,961	-	0.0%	**3.7%**	3.6%
Property and equipment	**690,378**	770,716	(80,338)	-10.4%	**1.7%**	1.8%
Intangible asset	**4,812,707**	4,970,341	(157,634)	-3.2%	**11.6%**	11.6%
Goodwill	**1,828,578**	1,828,578	-	0.0%	**4.4%**	4.3%
Pension asset	**10,048**	10,732	(684)	n/a	**0.0%**	0.0%
Deferred tax asset	**14,576**	42,261	(27,685)	-65.5%	**0.0%**	0.1%
Other noncurrent assets	**743,290**	710,167	33,123	4.7%	**1.8%**	1.7%
	30,942,370	30,831,241	111,129	0.4%	**74.4%**	72.1%
TOTAL ASSET	**₱41,564,958**	₱42,737,030	(₱1,172,072)	-2.7%	**100.0%**	100.0%
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other current liabilities	**₱1,254,065**	₱1,529,691	(₱275,626)	-18.0%	**3.0%**	3.6%
Loans payable	**2,000,017**	1,000,017	1,000,000	100.0%	**4.8%**	2.3%
Current portion of:						
Estimated liability on construction costs	**23,376**	2,556,836	(2,533,460)	-99.1%	**0.1%**	6.0%
Nontrade liability	**3,762,000**	455,886	3,306,114	725.2%	**9.1%**	1.1%
Obligations under finance lease	**47,698**	25,028	22,670	90.6%	**0.1%**	0.1%
Long-term debt	**862,500**	362,500	500,000	137.9%	**2.1%**	0.8%
Income tax payable	**51,900**	49,600	2,300	4.6%	**0.1%**	0.1%
Installment payable	**-**	173	(173)	-100.0%	**0.0%**	0.0%
	8,001,556	5,979,731	2,021,825	33.8%	**19.3%**	14.0%
Noncurrent Liabilities						
Noncurrent portion of:						
Long-term debt	**3,759,375**	4,621,875	(862,500)	-18.7%	**9.0%**	10.8%
Obligations under finance lease	**71,644**	93,527	(21,883)	-23.4%	**0.2%**	0.2%
Nontrade liability	**-**	4,839,172	(4,839,172)	-100.0%	**0.0%**	11.3%
Deferred tax liabilities	**1,742,187**	1,175,431	566,756	48.2%	**4.2%**	2.8%
Pension liability	**12,550**	23,078	(10,528)	-45.6%	**0.0%**	0.1%
Other non current liability	**233,864**	267,714	(33,850)	-12.6%	**0.6%**	0.6%
	5,819,620	11,020,797	(5,201,177)	-47.2%	**14.0%**	25.8%
TOTAL LIABILITIES	**13,821,176**	17,000,528	(3,179,352)	-18.7%	**33.3%**	39.8%
Equity						
Attributable to equity holders of parent:						
Common stock	**10,561,000**	10,561,000	-	0.0%	**25.4%**	24.7%
Additional paid-in capital	**5,503,731**	5,503,731	-	0.0%	**13.2%**	12.9%
Treasury stock	**(181,185)**	(134,442)	(46,743)	34.8%	**-0.4%**	-0.3%
Equity share in cost of Parent Company shares held by associates	**(2,501)**	(2,501)	-	0.0%	**-0.0%**	-0.0%
Cost of Parent Company common and preferred shares held by subsidiaries	**(1,758,264)**	(1,749,628)	(8,636)	0.5%	**-4.2%**	-4.1%
Unrealized gain on available-for-sale financial assets - net	**836,876**	535,237	301,639	56.4%	**2.0%**	1.3%
Other reserves	**3,082,825**	3,085,896	(3,071)	-0.1%	**7.4%**	7.2%
Excess of net asset value of an investment over cost	**252,040**	252,040	-	0.0%	**0.6%**	0.6%
Retained Earnings	**6,289,302**	4,552,639	1,736,663	38.1%	**15.1%**	10.7%
Total equity attributable to equity holders of the Parent	**24,583,824**	22,603,972	1,979,852	8.8%	**59.1%**	52.9%
Non-controlling interests	**3,159,958**	3,132,530	27,428	0.9%	**7.6%**	7.3%
Total Equity	**27,743,782**	25,736,502	2,007,280	7.8%	**66.7%**	60.2%
TOTAL LIABILITIES AND EQUITY	**₱41,564,958**	₱42,737,030	(₱1,172,072)	-2.7%	**100.0%**	100.0%

Management Discussion and Analysis of Operating Performance and Financial Condition

ASSET

Total assets of the Company decreased by ₱1,172.1 million (3%) to ₱41,565.0 million as of December 31, 2016, from ₱42,737.0 million as of December 31, 2015.

Cash and Cash equivalents

Cash and cash equivalents decreased by ₱616.8 million (17%), to ₱2,953.3 million as of December 31, 2016 from ₱3,570.1 million as of December 31, 2015, due mainly to capital expenditures for City of Dreams Manila and real estate development projects.

Investments Held for Trading

This pertains to the club shares of Tagaytay Highlands International Golf Club, Tagaytay Midlands International Golf Club, The Country Club at Tagaytay Highlands held by Belle, as well as marketable securities held by Pacific Online in companies that are not subsidiaries or associates of Belle, comprised of listed shares of stock in DFNN, Inc., ISM Communications Corp., Leisure and Resorts World Corporation, Philippine Long Distance Telephone Company, Inc. and Vantage Equities, Inc.

Finance Lease Receivables

Due to the requirements under Philippine Accounting Standards 17 (PAS 17), management accounts for its lease agreement with MCE for the City of Dreams Manila buildings as a finance lease, even though there is neither a requirement nor any intention to transfer title therefor to MCE. The Company thus recorded a finance lease receivable in March 2013 equivalent to the estimated fair value of the leased property, amounting to ₱9.4 billion for the Phase 1 building structure of City of Dreams Manila. In January 2015, the Company recorded a finance lease receivable, amounting to ₱5.3 billion for the estimated fair value of the Phase 2 building structure of City of Dreams Manila. Fair valuation was determined by discounting minimum lease payments at the inception date of the lease agreement.

Receivables

Receivables increased by ₱257.3 million (16%), to ₱1,881.8 million as of December 31, 2016 from ₱1,624.4 million as of December 31, 2015. The increase was mainly due to the receivable of PLC from MCE for the gaming revenue share from City of Dreams Manila and Pacific Online's receivables on instant scratch ticket sales.

Real Estate for Sale

Real estate for sale decreased by ₱40.2 million (5%), to ₱802.8 million as of December 31, 2016 from ₱843.1 million as of December 31, 2015, due to sales during the period of ₱120.5 million offset by project development of ₱160.7 million in the Tagaytay Midlands and Greenlands areas.

Available-for-sale Investments

Available-for-sale investments decreased by ₱121.1 million (6%), to ₱2,026.9 million as of December 31, 2016 from ₱2,148.0 million as of December 31, 2015, which was attributable to the sale of 26 million SM Prime Holdings, Inc. shares in July 2016.

Management Discussion and Analysis of Operating Performance and Financial Condition

Intangible Asset

This pertains to the cost of the PAGCOR License to operate integrated resorts that was granted by PAGCOR to PremiumLeisure and Amusement Inc ("PLAI"), a wholly-owned subsidiary of PLC. Belle and MCE are Co-Licensees under PLAI's PAGCOR License. As part of PLAI's practice of regular and continuous review of existing contracts, PLAI implemented an initiative to change its amortization policy to align the life of the license with the PAGCOR charter, which is renewable for another 25 years upon its expiration in 2033. The extension of the life of the gaming license lowers the amortization expense of PLAI by ₱13.9 million monthly effective April 2016. The decrease from last year's balance by ₱157.6 million (3%), from ₱4,970.3 million as of December 31, 2015 to ₱4,812.7 million as of December 31, 2016, resulted from the amortization of the intangible asset on the License starting on December 14, 2014, which is the effectivity date of the Notice to Commence Casino Operations granted by PAGCOR.

Goodwill

The Company recognized goodwill amounting to ₱1,828.6 million, as a result of consolidating Pacific Online starting June 5, 2014.

Other Assets

Other assets decreased by ₱990.8 million (33%), to ₱2,043.0 million as of December 31, 2016 from ₱3,033.8 million as of December 31, 2015, mainly due to utilization of prepaid expenses and advances to contractors for capital expenditures related to City of Dreams Manila (see "Estimated Liability on Construction Costs" below).

LIABILITIES

Total liabilities decreased by ₱3,179.4 million (19%), to ₱13,821.2 million as of December 31, 2016 from ₱17,000.5 million as of December 31, 2015, due to the ₱2,533.5 million (99%) decrease in estimated liability on construction costs for City of Dreams Manila and pre-termination of ABLGI contract which led to the decrease of nontrade liability by ₱1,533.1 million from ₱5,295.1 million as of December 31, 2015 to ₱3,762.0 million as of December 31, 2016.

Trade and Other Current Liabilities

Trade and other current liabilities decreased by ₱275.6 million (18%) to ₱1,254.1 million as of December 31, 2016, from ₱1,529.7 million as of December 31, 2015, due mainly to the final payments to contractors of City of Dreams Manila.

Loans Payable and Long-Term Debt

Loans payable and long-term debt owed to financial institutions, amounting to ₱6,621.9 million as of December 31, 2016, pertain to Peso loans from various local banks, with an average interest rate of approximately 5.5% per annum. The outstanding amount of these borrowings decreased by ₱637.5 million (11%) from ₱5,984.4 million as of December 31, 2015 due to scheduled principal repayments on term loans.

Estimated Liability on Construction Costs

The Company recorded estimated construction costs totaling ₱7.5 billion in order to complete the structure and utilities of the City of Dreams Manila buildings, as a result of accounting for its lease agreement with MCE as a finance lease (as required under PAS 17). The City of Dreams Manila buildings have a total gross floor area of approximately 30 hectares. This decreased by ₱2,533.5 million (99%), from ₱2,556.8 million as of December 31, 2015 to ₱23.4 million as of December 31, 2016 as the project has been essentially completed, and the remaining liability hereunder pertains mostly to final payments still due to some contractors.

Management Discussion and Analysis of Operating Performance and Financial Condition

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

Nontrade Liability
In 2013, Belle, PLAI, Belle Grande Resource Holdings Corp. ("BGRHC"), AB Leisure Global, Inc. ("ABLGI") and Leisure and Resorts World Corp. ("LRWC") entered into a Memorandum of Agreement (the "MOA"), whereby Belle and PLAI agreed to grant ABLGI the right to the settlement of amounts in consideration of the waiver of ABLGI's rights as casino operator, the termination of ABLGI agreements and the grant of advances of ₱4.0 billion ("ABLGI Advance") as funding for the construction of the casino integrated resort building.

In December 2014, the implementing agreement in the MOA was executed, with the effectivity of terms and conditions retrospective on January 1, 2014. The ₱4.0 billion ABLGI Advance was determined as the fair value of ABLGI's settlement. In 2015, ABLGI advanced an additional ₱780.0 million. Such liability is being accreted over the lease term using the Effective Interest Rate method.

On November 3, 2016, Belle, PLAI, BGRH, ABLGI and LRWC signed an agreement to terminate the MOA of 2013 by the end of March 2017. Under the agreement, Belle will pay, and ABLGI will receive, a total consideration of ₱5,090 million. Of the total consideration, ₱1,018 million was paid upon signing and the balance will be paid simultaneous with the termination of the MOA on or about March 31, 2017.

EQUITY
The Company's shareholders' equity as of December 31, 2016 of ₱27,743.8 million was higher by ₱2,007.3 million (8%), compared to the year-end 2015 of ₱25,736.5 million, due to an unrealized gain on available-for-sale financial assets of ₱301.6 million (56%) and consolidated net income of ₱3,096.1 million, partially offset by the ₱1,003.3 million cash dividend declared to its shareholders on March 29, 2016. Excluding the dividend, the Company's shareholders' equity as of December 31, 2016 would have been ₱28,755.4 million, or approximately ₱3,018.9 million (9%) higher than at December 31, 2015.

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

Belle Corporation (consolidated)

	Dec 31, 2016	Dec 31, 2015
Asset to equity ratio	**1.50 : 1.00**	1.66 : 1.00
Current or Liquidity ratio	**1:33 : 1.00**	1.99 : 1.00
Debt-to-equity ratio	**0.24 : 1.00**	0.24 : 1.00
Net debt-to-equity ratio	**0.14 : 1.00**	0.10 : 1.00
Interest rate coverage ratio	**12.09 :1.00**	9.78 :1.00
Return on assets	**7.3%**	4.3%
Return on equity	**11.6%**	6.8%

Premium Leisure Corp. (consolidated)

	Dec 31, 2016	Dec 31, 2015
Asset to equity ratio	**1.04 : 1.00**	1.03 : 1.00
Current or Liquidity ratio	**7.48 : 1.00**	7.14 : 1.00
Debt-to-equity ratio	**0.01 : 1:00**	0.01 : 1:00
Net debt-to-equity ratio	**(0.10) : 1.00**	(0.07) : 1:00
Interest rate coverage ratio	**114.0 : 1:00**	83.0 : 1:00
Return on assets	**6.97%**	1.38%
Return on equity	**7.22%**	1.41%

Management Discussion and Analysis of Operating Performance and Financial Condition

Pacific Online Systems Corporation (consolidated)

	Dec 31, 2016	Dec 31, 2015
Asset to equity ratio	**1.18 : 1.00**	1.26 : 1.00
Current or Liquidity ratio	**3.37 : 1.00**	2.74 : 1.00
Debt-to-equity ratio	**0.06 : 1.00**	0.26 : 1.00
Net debt-to-equity ratio	**(0.07) : 1.00**	(0.08) : 1.00
Interest rate coverage ratio	**46.77 : 1.00**	47.81 : 1.00
Return on assets	**17.73%**	15.65%
Return on equity	**21.53%**	19.67%

The above performance indicators are calculated as follows:

Current Ratio	Current Assets / Current Liabilities
Debt to Equity Ratio	Interest-bearing debt / Total Equity
Asset-to-equity Ratio	Total Assets / Total Equity
Return on Equity	Net Income / Average equity during the period
Return on Assets	Net Income / Average assets during the period
Interest Coverage Ratio	Income Before Interest & Tax / Interest Expense
Net debt-to-equity ratio	Interest-bearing debt less cash and cash equivalents / Total Equity

The Company does not foresee any cash flow or liquidity problems over the next twelve months. As of December 31, 2016, consolidated total debt of the Company of ₱6,741.2 million was comprised of borrowings from renewable short-term bank loans of ₱2,000.0 million, amortizing term loans from banks of ₱4,621.9 million and obligations under finance lease of ₱119.3 million. Belle has a number of projects, rental income and expected dividends from subsidiaries from which it expects to generate cash flow sufficient for its foreseeable requirements. Meanwhile, the Company continues to be in compliance with the terms of all of its debt obligations.

As of December 31, 2016, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

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

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

Management Discussion and Analysis of Operating Performance and Financial Condition

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

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

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

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

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

December 31, 2015 versus December 31, 2014 Results of Operations (in thousands)

	Year Ended December 31 (Audited)		Horizontal Analysis		Vertical Analysis	
	2015 (as restated)	2014 (as restated)	Increase (Decrease)		2015	2014
REVENUE						
Interest income on finance lease	**₱1,917,354**	₱1,409,173	**₱508,181**	36.1%	35.8%	42.5%
Equipment rental	**1,459,237**	828,740	**630,497**	76.1%	27.3%	25.0%
Gaming revenue share - net	**756,238**	38,809	**717,429**	1848.6%	14.1%	1.2%
Sale of real estate	**354,774**	299,248	**55,526**	18.6%	6.6%	9.0%
Commission and distribution income	**259,081**	202,559	**56,522**	27.9%	4.8%	6.1%
Lease income	**190,906**	188,757	**2,149**	1.1%	3.6%	5.7%
Revenue from property management	**112,682**	115,356	**(2,674)**	-2.3%	2.1%	3.5%
Others	**301,405**	234,443	**66,962**	28.6%	5.6%	7.1%
TOTAL REVENUES	**5,351,677**	3,317,085	**2,034,592**	61.3%	100.0%	100.0%
COST OF LOTTERY SERVICES	**(827,032)**	(492,988)	**334,044**	67.8%	15.5%	14.9%
COST OF GAMING OPERATIONS	**(382,023)**	(18,709)	**363,314**	1941.9%	7.1%	0.6%
COST OF REAL ESTATE	**(160,976)**	(133,877)	**27,099**	20.2%	3.0%	4.0%
COST OF LEASE INCOME	**(152,584)**	(11,368)	**141,216**	1242.2%	2.9%	0.3%
COST OF SERVICES OF PROPERTY MANAGEMENT	**(80,208)**	(88,052)	**(7,844)**	-8.9%	1.5%	2.7%
GENERAL AND ADMINISTRATIVE EXPENSES	**(718,524)**	(544,541)	**173,983**	32.0%	13.4%	16.4%
TOTAL COSTS AND EXPENSES	**(2,321,347)**	(1,289,535)	**1,031,812**	80.0%	-43.4%	-38.9%
INCOME FROM OPERATIONS	**3,030,330**	2,027,550	**1,002,780**	49.5%	56.6%	61.1%
ACCRETION OF NONTRADE LIABILITY	**(651,684)**	(533,348)	**118,336**	22.2%	-12.2%	-16.1%
INTEREST EXPENSE	**(273,977)**	(98,723)	**175,254**	177.5%	-5.1%	-3.0%
UNREALIZED GAIN ON MARKETABLE SECURITIES	**150,646**	266,037	**(115,391)**	-43.4%	2.8%	8.0%
INTEREST INCOME	**34,470**	29,979	**4,491**	15.0%	0.6%	0.9%
NET FOREIGN EXCHANGE GAIN (LOSS)	**36,135**	(7,619)	**43,754**	-574.3%	0.7%	-0.2%
EQUITY IN NET EARNINGS OF ASSOCIATES	**27,340**	117,190	**(89,850)**	-76.7%	0.5%	3.5%
LOSS ON FINANCE LEASE	**-**	(812,842)	**812,842**	n/a	0.0%	-24.5%
OTHER INCOME	**87,855**	2,079,022	**(1,991,167)**	-95.8%	1.6%	62.7%
INCOME BEFORE INCOME TAX	**2,441,115**	3,067,246	**(626,131)**	-20.4%	45.6%	92.5%
PROVISION FOR INCOME TAXES						
Current	**306,296**	179,943	**126,353**	70.2%	5.7%	5.4%
Deferred	**363,038**	(37,147)	**400,185**	-1077.3%	6.8%	-1.1%
	669,334	142,796	**526,538**	368.7%	12.5%	4.3%
NET INCOME	**₱1,771,781**	₱2,924,450	**(₱1,152,669)**	-39.4%	33.1%	88.2%

Management Discussion and Analysis of Operating Performance and Financial Condition

Belle Corporation realized total revenues of ₱5,351.7 million and recurring net income of ₱1,334.2 million in 2015. Due to its strong operating and financial performance, the Company paid a total of ₱2,903.8 million in cash dividends to its shareholders during 2015, comprised of a special dividend of ₱1,900.7 million and a regular dividend of ₱1,003.1 million. Belle's operating revenues of ₱5,351.7 million for 2015 were higher by ₱2,034.6 million (61%) over its operating revenues of ₱3,317.1 million for 2014. Its recurring net income of ₱1,334.2 million was ₱297.8 million (29%) higher than its 2014 recurring net income of ₱1,036.4 million. Its total consolidated net income of ₱1,771.8 in 2015 was lower by ₱1,152.7 million (44%) compared to total consolidated net income of ₱2,924.5 million in 2014 due to extraordinary non-recurring income in 2014, principally a ₱1,219.1 million reversal of provisions for probable losses by its Premium Leisure Corporation ("PLC") subsidiary. The Company considers its growth in recurring net income and its dividend payout during 2015 as the more relevant indicators for its future operating trends and prospects. The Company's operating growth in 2015 was attributable to higher revenue from its lease of the City of Dreams Manila property to Philippine entities controlled by Melco Crown Entertainment Limited (collectively, "MCE") and increased income contributed by its listed subsidiaries - PLC and Pacific Online Systems Corporation ("Pacific Online"). PLC has an operating agreement with MCE that accords it a share of gaming revenue or earnings at City of Dreams Manila.

Revenues

Total operating revenues of ₱5,351.7 million in 2015 were higher by ₱2,034.6 million (61%), compared to ₱3,317.1 million in 2014, mainly due to the following: increased revenues from Pacific Online by ₱587.9 million (62%) on account of the full year consolidation of Pacific Online in 2015 against approximately 7 months in 2014, with revenues comprised of equipment lease rentals and commission and distribution income; higher interest income on finance lease accounting in 2015, by ₱508.2 million (36%); and an increase in the gaming income share of PLC from City of Dreams Manila, from ₱38.8 million in 2014 to ₱756.2 million in 2015.

Cost of Lottery Services

Cost of lottery services pertains to direct costs of Pacific Online amounting to ₱827.0 million for the year ended December 31, 2015. Cost of lottery services increased by ₱334.0 million (68%), due mainly to full year consolidation of Pacific Online in 2015.

Cost of Real Estate

Costs of real estate sold increased by ₱27.1 million (20%) to ₱161.0 million for the year ended December 31, 2015, from ₱133.9 million for the year ended December 31, 2014, due mainly to higher unit sales of real estate during the 2015 period.

Cost of Lease Income

Cost of lease income pertains to property taxes, property insurance and other related costs directly attributable to the lease of the City of Dreams Manila property to MCE. This increased from ₱11.4 million in 2014 to ₱152.6 million in 2015 due to the substantial completion and opening of City of Dreams Manila in December 2014, which thereby increased the real property taxes, building insurance and lease expenses for 2015.

Cost of Services of Property Management

Cost of services of property management decreased by ₱7.8 million (9%) to ₱80.2 million for the year ended December 31, 2015, from ₱88.1 million for the year ended December 31, 2014, due to lower power and water usage by customers in 2015.

Management Discussion and Analysis of Operating Performance and Financial Condition

Cost of Gaming Operations

Cost of gaming operations refers to the service fee paid to consultants by PLC, in respect of its gaming operations, amortization of gaming license and other direct fees. The increase from ₱18.7 million in 2014 to ₱382.0 million (1,942%) in 2015 was due to the substantial completion and opening of City of Dreams Manila in December 2014, which thereby increased the amortization of PLAI's gaming License (amounting to ₱279.2 million), consultancy fees, marketing expenses and salaries and wages.

General and Administrative Expenses

General and administrative expenses increased by ₱174.0 million (32%), from ₱544.5 million for 2014, to ₱718.5 million in 2015. The increase in general and administrative expenses was due to consolidation in 2015 of ₱377.1 million in general and administrative expenses at Pacific Online.

Equity in Net Earnings of Associates

The Company's equity in net earnings of associates decreased by ₱89.9 million (77%) to ₱27.3 million for 2015, compared to ₱117.2 million for 2014, due to the consolidation of Pacific Online starting June 5, 2014. The Company's investment in Pacific Online was previously accounted for using the equity method before June 5, 2014.

Unrealized Gain on Marketable Securities

During 2016, Belle reclassified its club shares from inventory to investments held from trading within its current assets in compliance with Philippine Interpretations Committee (PIC) Q&A No. 2016-02 on Philippine Accounting Standards (PAS) 32 and 38 - Accounting Treatment of Club Shares Held by an Entity. This resulted in the restatement of Belle's financial statement for the years 2015 and 2014 for consistent application of PAS 32 and 38, for comparability. The restatement resulted a recognition of unrealized mark-to-market gains on such club shares ₱194.1 million in 2015 and ₱231.8 million in 2014. The unrealized gains on club shares were offset by unrealized losses on marketable securities held by Pacific Online.

Financial Income (Expense)

Interest expense increased by ₱175.3 million to ₱274.0 million for 2015, from ₱98.7 million for 2014. The increase in interest expense in 2015 was due to the Company's ceasing to capitalize costs of borrowings directly used to fund construction of City of Dreams Manila, which was substantially completed as of the end of 2014. Interest income increased by ₱4.5 million (15%), to ₱34.5 million for 2015, from ₱30.0 million for 2014, due to increases in average invested cash levels during 2015.

Net Foreign Exchange Loss

The net foreign exchange translation gain of ₱44.4 million for 2015 was recorded on a US$15.0 million US$-denominated portion of an advances to contractors totalling ₱1.1 billion or US$25.0 million equivalent (the "Escrow Deposit") being maintained by the Company in respect of City of Dreams Manila (based on a foreign exchange rate of ₱47.06:US$1.00 as of December 31, 2015 vs. the average exchange rate of approximately ₱44.61:US$1.00 for the relevant conversion transactions in various dates). The Company's net foreign exchange translation loss of ₱7.6 million in 2014 was caused by a loss of ₱10.6 million on the Company's US$22.0 million Floating Rate Notes ("FRNs"), which were fully repaid in May 2014, offset by ₱3.0 million in foreign exchange gains on US$-denominated deposits. The foreign exchange translation loss on the FRNs was based on an exchange rate of ₱44.88:US$1.00 when the FRNs were repaid vs. ₱44.40:US$1.00 as of December 31, 2013.

Management Discussion and Analysis of Operating Performance and Financial Condition

Provision for Income Tax

Provision for income tax increased by ₱526.5 million (369%), to ₱669.3 million for 2015 from ₱142.8 million for 2014, due to higher taxable income in 2015, as well as the tax deduction in 2014 for the realized foreign exchange loss upon repayment of the FRNs in May 2014.

Net Income

As a result of the foregoing, the Company realized total consolidated net income of ₱1,771.8 million for 2015. This is ₱1,152.6 million (39%) lower than consolidated net income of ₱2,924.5 million for 2014, due to higher extraordinary non-recurring income in 2014. Non-recurring income in 2014 amounted to approximately ₱1,520.2 million (net of related tax provisions) and were comprised of: a ₱31.4 million (pre-tax) gain on redemption of SMIC retail bonds in April 2014; a ₱1,219.1 million reversal of investment loss reserves by PLC (before ₱243.9 million deferred tax benefit); a ₱812.8 million Loss on Finance Lease; a ₱879.3 million gain on re-measurement of investment, net of non-recurring business acquisition costs at Pacific Online. Net non-recurring income in 2015 of ₱90.3 million pertains to the gain on sale of 16.4 million shares of SM Prime Holdings, Inc.

Excluding non-recurring items, Belle's recurring net income for 2015 was ₱1,334.2 million, which was ₱297.7 million (29%) higher compared to recurring net income for 2014 of about ₱1,036.5 million. The Company's consistent profitability helped allow it to pay cash dividends to its shareholders totaling ₱2,903.8 million (₱0.275 per share) during 2015, comprised of a special dividend of ₱1,900.7 million (₱0.18 per share) in March 2015 and a regular dividend of ₱1,003.1 million (₱0.095 per share) in August 2015.

December 31, 2015 versus December 31, 2014 Statement of Financial Position (in thousands)

	December 31, 2015 as restated	December 31, 2014 as restated	**Horizontal Analysis**		**Vertical Analysis**	
	Audited	Audited	**Inc (Dec)**	%	**2016**	2015
ASSETS						
Current Assets						
Cash and cash equivalents	**₱3,570,065**	₱6,326,509	**(₱2,756,444)**	-43.6%	**8.4%**	15.6%
Investments held for trading	**2,124,947**	2,012,885	**112,062**	5.6%	**5.0%**	5.0%
Receivables	**1,624,433**	1,474,911	**149,522**	10.1%	**3.8%**	3.6%
Current portion of finance lease receivable	**1,419,651**	722,745	**696,906**	96.4%	**3.3%**	1.8%
Real estate for sale	**843,074**	935,530	**(92,456)**	-9.9%	**2.0%**	2.3%
Other current assets	**2,323,619**	2,193,830	**129,789**	5.9%	**5.4%**	5.4%
	11,905,789	13,666,410	**(1,760,621)**	-12.9%	**27.9%**	33.7%
Noncurrent Assets						
Land held for future development	**3,018,515**	3,018,515	**-**	0.0%	**7.1%**	7.4%
Finance lease receivable - net of current portion	**15,725,603**	8,866,747	**6,858,856**	77.4%	**36.8%**	21.9%
Investments in and advances to associates - net	**65,364**	93,909	**(28,545)**	-30.4%	**0.2%**	0.2%
Available-for-sale financial assets	**2,148,003**	1,984,379	**163,624**	8.2%	**5.0%**	4.9%
Investment properties	**1,540,961**	4,432,277	**(2,891,316)**	-65.2%	**3.6%**	10.9%
Property and equipment	**770,716**	576,817	**193,899**	33.6%	**1.8%**	1.4%
Intangible asset	**4,970,341**	5,249,552	**(279,211)**	-5.3%	**11.6%**	12.9%
Goodwill	**1,828,578**	1,828,578	**-**	0.0%	**4.3%**	4.5%
Pension asset	**10,732**	1,103	**9,629**	873.0%	**0.0%**	0.0%
Deferred tax asset	**42,261**	41,234	**1,027**	2.5%	**0.1%**	0.1%
Other noncurrent assets	**710,167**	778,084	**(67,917)**	-8.7%	**1.7%**	1.9%
	30,831,241	26,871,195	**3,960,046**	14.7%	**72.1%**	66.3%
TOTAL ASSET	**₱42,737,030**	₱40,537,605	**₱2,199,425**	5.4%	**100.0%**	100.0%

(Forward)

Management Discussion and Analysis of Operating Performance and Financial Condition

	December 31, 2015 as restated Audited	December 31, 2014 as restated Audited	Horizontal Analysis Inc (Dec)	%	Vertical Analysis 2016	2015
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other current liabilities	**₱1,529,691**	₱2,584,575	**(₱1,054,884)**	-40.8%	**3.6%**	6.4%
Loans payable	**1,000,017**	3,000,017	**(2,000,000)**	-66.7%	**2.3%**	7.4%
Assignment of receivables with recourse	**-**	28,026	**(28,026)**	-100.0%	**0.0%**	0.1%
Current portion of:						
Estimated liability on construction costs	**2,556,836**	1,035,028	**1,521,808**	147.0%	**6.0%**	2.6%
Nontrade liability	**455,886**	274,562	**181,324**	66.0%	**1.1%**	0.7%
Obligations under finance lease	**25,028**	16,356	**8,672**	53.0%	**0.1%**	0.0%
Long-term debt	**362,500**	12,500	**350,000**	2800.0%	**0.8%**	0.0%
Installment payable	**173**	928	**(755)**	-81.4%	**0.0%**	0.0%
Income tax payable	**49,600**	56,546	**(6,946)**	-12.3%	**0.1%**	0.1%
	5,979,731	7,008,538	**(1,028,807)**	-14.7%	**14.0%**	17.3%
Noncurrent Liabilities						
Noncurrent portion of:						
Nontrade liability	**4,839,172**	3,966,694	**872,478**	22.0%	**11.3%**	9.8%
Obligations under finance lease	**93,527**	76,494	**17,033**	22.3%	**0.2%**	0.2%
Long-term debt	**4,621,875**	1,737,500	**2,884,375**	166.0%	**10.8%**	4.3%
Installment payable	**-**	198	**(198)**	-100.0%	**0.0%**	0.0%
Deferred tax liabilities	**1,175,431**	815,556	**359,875**	44.1%	**2.8%**	2.0%
Pension liability	**23,078**	18,787	**4,291**	22.8%	**0.1%**	0.1%
Other non current liability	**267,714**	176,552	**91,162**	51.6%	**0.6%**	0.4%
	11,020,797	6,791,781	**4,229,016**	62.3%	**25.8%**	16.8%
TOTAL LIABILITIES	**17,000,528**	13,800,319	**3,200,209**	23.2%	**39.8%**	34.0%
Equity						
Attributable to equity holders of parent:						
Common stock	**10,561,000**	10,559,383	**1,617**	0.0%	**24.7%**	26.1%
Additional paid-in capital	**5,503,731**	5,503,731	**-**	-0.0%	**12.9%**	13.6%
Treasury stock	**(134,442)**	-	**(134,442)**	n/a	**-0.3%**	0.0%
Equity share in cost of Parent Company shares held by associates	**(2,501)**	(2,501)	**-**	0.0%	**-0.0%**	-0.0%
Cost of Parent Company common and preferred shares held by subsidiaries	**(1,749,628)**	(1,604,824)	**(144,804)**	9.0%	**-4.1%**	-4.0%
Unrealized gain on available-for-sale financial assets - net	**535,237**	91,965	**443,272**	482.0%	**1.3%**	0.2%
Other reserves	**3,085,896**	3,272,665	**(186,769)**	-5.7%	**7.2%**	8.1%
Excess of net asset value of an investment over cost	**252,040**	252,040	**-**	0.0%	**0.6%**	0.6%
Retained Earnings	**4,552,639**	5,831,564	**(1,278,925)**	-21.9%	**10.7%**	14.4%
Total equity attributable to equity holders of the Parent	**22,603,972**	23,904,023	**(1,300,051)**	-5.4%	**52.9%**	59.0%
Non-controlling interests	**3,132,530**	2,833,263	**299,267**	10.6%	**7.3%**	7.0%
Total Equity	**25,736,502**	26,737,286	**(1,000,784)**	-3.7%	**60.2%**	66.0%
TOTAL LIABILITIES AND EQUITY	**₱42,737,030**	₱40,537,605	**₱2,199,425**	5.4%	**100.0%**	100.0%

ASSETS

Total assets of the Company increased by ₱2,199.4 million (5%) to ₱42,737.0 million as of December 31, 2015, from ₱40,537.6 million as of December 31, 2014.

Cash and Cash equivalents

Cash and cash equivalents decreased by ₱2,756.4 million (44%), to ₱3,570.1 million as of December 31, 2015, from ₱6,326.5 million in December 31, 2014, due mainly to Belle's payment of cash dividends totalling ₱2,903.8 million during 2015 and payments in respect of construction contracts for the City of Dreams Manila. These were offset by: (i) rental receipts from MCE of ₱1,346.1 million; (ii) proceeds from sale of real estate and revenue from property management services totaling ₱735.0 million; and (iii) proceeds from the sale of about 16 million shares of SM Prime Holdings, Inc., totaling ₱308.5 million.

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Investments Held for Trading

This pertains to the club shares of Tagaytay Highlands International Golf Club, Tagaytay Midlands International Golf Club, The Country Club at Tagaytay Highlands held by Belle, as well marketable securities held by Pacific Online in companies that are not subsidiaries of Belle, comprised of listed shares of stock in DFNN, Inc., ISM Communications Corp., Leisure and Resorts World Corporation, Philippine Long Distance Telephone Company, Inc. and Vantage Equities, Inc.

Finance Lease Receivable

Due to the requirements under Philippine Accounting Standards 17 (PAS 17, Leases), management accounts for its lease agreement with MCE for the City of Dreams Manila buildings as a finance lease, even though there is neither a requirement nor any intention to transfer title therefor to MCE. The Company thus recorded a finance lease receivable in March 2013 equivalent to the estimated fair value of the leased property, amounting to ₱9,375.0 million for the Phase 1 building structure of City of Dreams Manila. In January 2015, the Company recorded a finance lease receivable, amounting to ₱6,260.0 million for the estimated fair value of the Phase 2 building structure of City of Dreams Manila. Fair valuation was determined by discounting minimum lease payments at the inception date of the lease agreement.

Receivables

Receivables increased by ₱149.5 million (10%), to ₱1,624.4 million as of December 31, 2015, from ₱1,474.9 million as of December 31, 2014. The increase in receivables was due mainly from the increased real estate sales, lease income, equipment rentals and net gaming revenue share.

Real Estate for Sale

Real estate for sale decreased by ₱92.5 million (10%), to ₱843.1 million as of December 31, 2015, from ₱935.5 million as of December 31, 2014 due to sales during the year.

Available-for-sale Financial Assets

Available-for-sale financial assets increased by ₱163.6 million (8%) to ₱2,148.0 million as of December 31, 2015 from ₱1,984.4 million as of December 31, 2014, due to increases in the fair value of such investments, net of the value of 16.5 million SM Prime Holdings, Inc. shares sold during 2015.

Investments in and Advances to Associates – Net

Investments and advances to associates decreased by ₱28.5 (30%) million, to ₱65.4 million as of December 31, 2015 from ₱93.9 million as of December 31, 2014, due to payments received from Woodland Development Corporation during 2015.

Investment Properties

Investment properties decreased by ₱2,891.3 million (65%), from ₱4,432.3 million as of December 31, 2014 to ₱1,541.0 million as of December 31, 2015, due to the finance lease accounting treatment of the Phase 2 building of City of Dreams Manila.

Intangible Asset

This pertains to the cost of the PAGCOR License to operate integrated resorts that was granted by PAGCOR to PremiumLeisure and Amusement, Inc. (PLAI), a wholly-owned subsidiary of PLC. Belle and MCE are Co-Licensees under PLAI's PAGCOR License. The decrease from last year's balance by ₱279.2 million (5%), from ₱5,249.6 million as of December 31, 2014 to ₱4,970.3 million as of December 31, 2015, resulted from the amortization by PLC of the intangible asset on the License starting on December 14, 2014, which is the date of effectivity of the Notice to Commence Casino Operations granted by PAGCOR.

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Goodwill

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

Other Assets

Other assets was virtually unchanged, increasing by less than (2%), to ₱3,033.8 million as of December 31, 2015 from ₱2,971.9 million as of December 31, 2014.

LIABILITIES

Total liabilities increased by ₱3,200.2 million (23%), to ₱17,000.5 million as of December 31, 2015, from ₱13,800.3 million as of December 31, 2014, due to the increase in long-term debt and estimated liability on construction costs, mainly regarding City of Dreams Manila.

Loans Payable and Long-Term Debt

Loans payable and long-term debt from financial institutions, amounting to ₱5,984.4 million as of December 31, 2015, pertains to Peso loans from various local banks, with an average interest rate of 5.7% per annum during 2015.

Estimated Liability for Construction

The Company recorded estimated liability on construction costs amounting to ₱2,556.8 million for the City of Dreams Manila buildings, as a result of accounting for its lease agreement with MCE as a finance lease (as required under PAS 17). The City of Dreams Manila buildings have a total gross floor area of approximately 31 hectares.

Obligations under Finance Lease

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

Nontrade Liability

On May 20, 2013, Belle, PLAI, Belle Grande Resource Holdings Corp. (BGRHC), AB Leisure Global, Inc. (ABLGI) and Leisure and Resorts World Corp. (LRWC) entered into a Memorandum of Agreement (the "MOA"), whereby Belle and PLAI have agreed to grant ABLGI the right to the settlement of amounts equivalent to 30% of the net lease income of the City of Dreams Manila located at Aseana Business Park in Paranaque City (the "Project") in consideration, among other terms, 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 partial funding for the construction of the casino integrated resort building. Belle formed BGRHC as a subsidiary in 2013 for the purpose of this MOA. The carrying value of the nontrade liability amounted to ₱4,000.0 million as at December 31, 2013.

In December 2014, the implementing agreement in the MOA was executed, with the effectivity of terms and conditions retrospective on January 1, 2014. The ABLGI Advance was determined as the fair value of ABLGI's 30% share in the net lease income of the Project. In 2015, additional advances received from ABLGI amounted to ₱780.0 million. The nontrade liability is carried at amortized cost.

Trade and Other Current Liabilities

Trade and other current liabilities decreased by ₱1,054.7 million (41%) to ₱1,529.8 million as of December 31, 2015, from ₱2,584.6 million as of December 31, 2014, due mainly to the decrease in trade payables. Comprising this account are principally trade payables of ₱754.1 million, non-trade payables of ₱288.5 million, accrued expenses of ₱363.7 million, and advances and customers' deposits totaling ₱123.4 million.

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Installment Payable

This refers to liabilities of Pacific Online arising from its purchase of transportation vehicles and other equipment under finance lease arrangements.

EQUITY

The Company's consolidated shareholders' equity as of December 31, 2015 of ₱25,736.5 million was lower by ₱1,000.8 million (4%), compared to the level as of December 31, 2014 of ₱26,737.3 million, due mainly to the ₱2,902.5 million in total cash dividends declared to its shareholders in 2015.

Treasury Shares

In January 2015, the Board of Directors of Belle has approved a Share Buyback Program authorizing management the discretion to purchase the Company's common shares up to an aggregate cost of ₱1.0 billion. As of December 31, 2015, 42.1 million Belle shares have been purchased and held as treasury shares at a total acquisition cost of ₱134.8 million.

Retained Earnings

The Company's consolidated retained earnings of ₱4,552.6 million as of December 31, 2015 was ₱1,278.9 million (22%) lower than its consolidated retained earnings of ₱5,831.5 million as of December 31, 2014, due to the Company's payment of a total of ₱2,903.8 million in cash dividends during 2015, comprised of a ₱1,900.7 million (₱0.18 per share) special dividend on March 9, 2015 and a ₱1,001.8 million (₱0.095 per share) regular dividend on August 28, 2015.

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

Belle Corporation (consolidated)

	Dec 31, 2015	Dec 31, 2014
Asset to equity ratio	**1.68 : 1.00**	1.51: 1.00
Current or Liquidity ratio	**1.88 : 1.00**	1.95: 1.00
Debt-to-equity ratio	**0.24 : 1.00**	0.18: 1.00
Net debt-to-equity ratio	**0.10 : 1.00**	(0.06): 1.00
Interest rate coverage ratio	**9.78:1.00**	13.68:1.00
Return on assets	**4.3%**	7.0%
Return on equity	**6.8%**	10.7%

Below are the comparative key performance indicators of the material partly-owned subsidiaries of Belle:

Premium Leisure Corp. (consolidated)

	Dec 31, 2015	Dec 31, 2014
Asset to equity ratio	**1.03 : 1.00**	1.01 : 1.00
Current or Liquidity ratio	**7.14 : 1.00**	36.16 : 1.00
Debt-to-equity ratio	**0.01 : 1.00**	Not Applicable
Net debt-to-equity ratio	**(0.67) : 1.00**	Not Applicable
Interest rate coverage ratio	**Not Applicable**	Not Applicable
Return on assets	**1.38%**	14.93%
Return on equity	**1.41%**	15.20%

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Pacific Online Systems Corp. (consolidated)

	Dec 31, 2015	Dec 31, 2014
Asset to equity ratio	**1.26 : 1.00**	1.31 : 1.00
Current or Liquidity ratio	**2.74 : 1.00**	3.86 : 1.00
Debt-to-equity ratio	**0.67 : 1.00**	0.52 : 1.00
Net debt-to-equity ratio	**(0.82) : 1.00**	(0.21) : 1.00
Interest rate coverage ratio	**47.81 : 1.00**	57.60 : 1.00
Return on assets	**15.65%**	20.69%
Return on equity	**19.67%**	20.38%

The above performance indicators are calculated as follows:

Current Ratio	<u>Current Assets</u> Current Liabilities
Debt to Equity Ratio	<u>Interest-bearing debt</u> Total Equity
Asset-to-equity Ratio	<u>Total Assets</u> Total Equity
Return on Equity	<u>Net Income</u> Average equity during the period
Return on Assets	<u>Net Income</u> Average assets during the period
Interest Coverage Ratio	<u>Income Before Interest & Tax</u> Interest Expense
Net debt-to-equity ratio	<u>Interest-bearing debt less cash and cash equivalents</u> Total Equity

The Company does not foresee any cash flow or liquidity problems over the next twelve months. As of December 31, 2015, total debt of the Company of ₱6,234.1 million was comprised of short-term bank borrowings of ₱1,000.0 million, long-term bank debt of ₱5,115.5 million and obligations under finance lease of ₱118.6 million. Belle expects income from real estate projects, cash rental receipts from MCE and dividends from subsidiaries to generate cash flow sufficient for its needs. Meanwhile, the Company continues to be in compliance with the terms of all of its debt obligations.

As of December 31, 2015, except for what has been noted in the preceding, there were no material events or uncertainties known to management that had a material impact on past performance, or that would have a material impact on the future operations, in respect of the following:

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

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

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

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

Under the License granted to PLAI by PAGCOR, the parties designated as Co-Licensees in the Consortium (PLAI, Belle and MCE) were committed to collectively invest a minimum of US$1.0 billion ("Investment Commitment") in the Project. Under the PAGCOR Guidelines, of the US$1.0 billion, US$650.0 million shall be invested upon the opening of the integrated resort and the US$350.0 million balance shall be invested within a period of three (3) years from the commencement of the integrated resort operations. The Investment Commitment shall be composed of the value of the land (up to a maximum of US$150 million) and the development costs of the infrastructure and facilities for the Project. The Consortium already exceeded the US$1.0 billion Investment Commitment upon the soft opening of City of Dreams Manila on December 14, 2014. Consequently, City of Dreams Manila became the first integrated resort in Entertainment City to be awarded a Regular License by PAGCOR, in May 2015.

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

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

	Year Ended December 31 (Audited)		Horizontal Analysis		Vertical Analysis	
	2014 (as restated)	2013 (as restated)	**Increase (Decrease)**		**2014**	2013
REVENUE						
Interest income on finance lease	**₱1,409,173**	₱1,177,570	**₱231,603**	19.7%	**42.5%**	42.2%
Equipment rental	**828,740**	-	**828,740**	n/a	**25.0%**	0.0%
Sale of real estate	**299,248**	175,280	**123,968**	70.7%	**9.0%**	6.3%
Commission and distribution income	**202,559**	-	**202,559**	n/a	**6.1%**	0.0%
Lease income	**188,757**	157,136	**31,621**	20.1%	**5.7%**	5.6%
Revenue from property management	**115,356**	105,033	**10,323**	9.8%	**3.5%**	3.8%
Gaming revenue share - net	**38,809**	-	**38,809**	n/a	**1.2%**	0.0%
Termination income	**-**	949,608	**(949,608)**	n/a	**0.0%**	34.0%
Others	**234,443**	227,320	**7,123**	3.1%	**7.1%**	8.1%
TOTAL REVENUES	**3,317,085**	2,791,947	**525,138**	18.8%	**100.0%**	100.0%
COST OF LOTTERY SERVICES	**(492,988)**	-	**492,988**	n/a	**14.9%**	0.0%
COST OF REAL ESTATE	**(133,877)**	(115,389)	**18,488**	16.0%	**4.0%**	4.1%
COST OF SERVICES OF PROPERTY MANAGEMENT	**(88,052)**	(60,269)	**27,783**	46.1%	**2.7%**	2.2%
COST OF GAMING OPERATIONS	**(18,709)**	-	**18,709**	n/a	**0.6%**	0.0%
COST OF LEASE INCOME	**(11,368)**	-	**11,368**	n/a	**0.3%**	0.0%
GENERAL AND ADMINISTRATIVE EXPENSES	**(544,541)**	(642,642)	**(98,101)**	-15.3%	**16.4%**	23.0%
TOTAL COSTS AND EXPENSES	**(1,289,535)**	(818,300)	**471,235**	57.6%	**-38.9%**	-29.3%
INCOME FROM OPERATIONS	**2,027,550**	1,973,647	**53,903**	2.7%	**61.1%**	70.7%
ACCRETION OF NONTRADE LIABILITY	**(533,348)**	-	**533,348**	n/a	**-16.1%**	0.0%
GAIN (LOSS) ON FINANCE LEASE	**(812,842)**	2,324,434	**(3,137,276)**	n/a	**-24.5%**	83.3%
UNREALIZED GAIN (LOSS) ON MARKETABLE SECURITIES	**266,037**	(1,233,990)	**1,500,027**	-121.6%	**8.0%**	-44.2%
EQUITY IN NET EARNINGS OF ASSOCIATES	**117,190**	119,940	**(2,750)**	-2.3%	**3.5%**	4.3%
INTEREST EXPENSE	**(98,723)**	(103,852)	**(5,129)**	-4.9%	**-3.0%**	-3.7%
INTEREST INCOME	**29,979**	56,112	**(26,133)**	-46.6%	**0.9%**	2.0%
NET FOREIGN EXCHANGE GAIN (LOSS)	**(7,619)**	(86,167)	**78,548**	-91.2%	**-0.2%**	-3.1%
OTHER INCOME	**2,079,022**	853,299	**1,225,723**	143.6%	**62.7%**	30.6%
INCOME BEFORE INCOME TAX	**3,067,246**	3,903,423	**(836,177)**	-21.4%	**92.5%**	139.8%
PROVISION FOR INCOME TAXES						
Current	**179,943**	305,577	**(125,634)**	-41.1%	**5.4%**	10.9%
Deferred	**(37,147)**	1,027,952	**(1,065,099)**	-103.6%	**-1.1%**	36.8%
	142,796	1,333,529	**(1,190,733)**	-89.3%	**4.3%**	47.8%
NET INCOME	**₱2,924,450**	₱2,569,894	**₱354,556**	13.8%	**88.2%**	92.1%

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Belle Corporation ("Belle" or the "Company") consolidated net income for 2014 was ₱2,924.5 million. This is ₱354.6 million (14%) higher than the consolidated net income of ₱2,569.9 million for the year ended December 31, 2013, due to lower non-operating and non-recurring income during 2013. Net non-recurring income during 2013 amounted to approximately ₱3,064.0 million (after related tax provisions), and were comprised of the following: the Termination Income of ₱949.6 million (pre-tax) received from the Philippine affiliates of Melco Crown Entertainment, Ltd. (collectively, "MCE") in March 2013, upon the commencement of MCE's lease on Belle's property to be used for the City of Dreams Manila integrated resort project; a Gain on Finance Lease of ₱2,324.4 million (before ₱697.3 million deferred tax provision) during 2013; and a gain on share swap of the Company's 809 million shares of Highlands Prime, Inc. amounting to ₱772.2 million. Net non-recurring income during 2014 totaled only about ₱1,520.2 million (net of related tax provisions), and were comprised of: a ₱31.4 million (pre-tax) gain on redemption of SMIC retail bonds in April 2014; a ₱1,219.1 million reversal of investment loss reserves by PLC, a Belle subsidiary; a ₱812.8 million Loss on Finance Lease (before ₱243.9 million deferred tax benefit); a ₱879.3 million gain on re-measurement of investment net of non-recurring business acquisition costs at Pacific Online, a subsidiary of Belle. Excluding these non-recurring items, Belle's net income for the year ended December 31, 2014 would have been ₱1,036.5 million, which is higher by approximately ₱464.3 million (81%) compared to adjusted net income for the year ended December 31, 2013 of about ₱572.2 million.

Revenues

Gross revenue of ₱3,317.1 million in 2014 was higher by ₱525.1 million (19%), compared to ₱2,791.9 million in 2013 due to the following: consolidation of Pacific Online revenues starting in June 2014 totaling ₱1,030.3 million (comprising of equipment lease rentals, instant scratch ticket sales and commission income included in "other revenues"); higher interest income on finance lease accounting amounting to ₱231.6 million; higher sales of real estate amounting to ₱124.0 million; gaming income share from City of Dreams Manila by Premium Leisure Corporation ("PLC") amounting to ₱38.8 million; and dividend income from SM Prime Holdings, included in "other revenues", amounting to ₱22.4 million. The increase in gross revenue was offset by the non-recurring Termination Income in 2013, amounting to ₱949.6 million.

Gross revenue from sales of real estate for the year ended December 31, 2014 of ₱299.2 million was higher by ₱124.0 million (71%), compared to ₱175.3 million for the year ended December 31, 2013. Gross profit from sales of real estate for the year ended December 31, 2014 of ₱165.4 million was higher than gross profit therefrom for the year ended December 31, 2013 of ₱59.9 million by ₱105.5 million (176%) due to higher sales of real estate. There were no new real estate development projects launched by Belle during the year ended December 31, 2014.

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

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

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Cost of Lottery Services

Cost of lottery services pertains to direct costs of Pacific Online amounting to ₱493.0 million for the year ended December 31, 2014, which includes: operating supplies amounting to ₱67.4 million; software license fees amounting to ₱81.7 million; consultancy fees amounting to ₱74.7 million; communication fees amounting to ₱51.4 million; and depreciation and amortization of lottery equipment amounting to ₱68.6 million.

Cost of Real Estate

Cost of real estate sold increased by ₱18.5 million (16%) to ₱133.9 million for the year ended December 31, 2014 from ₱115.4 million for the year ended December 31, 2013 due mainly to higher unit sales of real estate sold during the 2014 period.

Costs of Services of Property Management

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

Costs of Gaming Operations

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

General and Administrative Expenses

General and administrative expenses increased by ₱98.1 million (15%), from ₱642.6 million for the year ended December 31, 2013 to ₱544.5 million for the year ended December 31, 2014. The increase in general and administrative expenses during 2014 was due to the following: (i) ₱338.6 million general and administrative expenses by Pacific Online, as a result of consolidation and (ii) ₱40.0 million in documentary stamp taxes (DST) pertaining to the ₱4.0 billion estimated liability to AB Leisure Global, Inc. ("ABLGI"), presented as Non-trade Liability Account in Belle's consolidated statement of financial position.

Fair Value Change due to Cancellation of Swap Agreement

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

Gain on Significant Acquisitions - net

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

Management Discussion and Analysis of Operating Performance and Financial Condition

Gain (Loss) on Finance Lease

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

Equity in Net Earnings of Associates

The Company's equitized net earnings from associated companies decreased by ₱2.8 million (2%), to ₱117.2 million for 2014 from ₱119.9 million during 2013, due to the consolidation of Pacific Online in 2014. Pacific Online, of which Belle and PLC own a combined 51.9% of common shares outstanding, brought a net income of ₱241.8 million for 2014, compared to equitized earnings of ₱113.1 million out of Pacific Online's net income of ₱323.7 million in the 2013. Belle's total ownership in Pacific Online was increased to 50.1% (from 35% as of December 31, 2013) after a series of share purchases in the secondary market at the Philippine Stock Exchange during the first half of 2014. Woodland Development Corporation ("WDC"), Belle's 47%-owned associate, brought equitized earnings of ₱1.3 million out of WDC's net income of ₱2.7 million for the year ended December 31, 2014.

Financial Income and Expenses

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

Net Foreign Exchange Loss

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

Provisions for Income Taxes

Provisions for taxes decreased by ₱1,190.7 million (89%), to ₱142.8 million for 2014 from ₱1,133.5 million for the year ended December 31, 2013, mainly due to the following: (i) deferred tax asset recognized on NOLCO and excess MCIT as of December 31, 2014 totaling ₱188.8 million; (ii) deferred tax asset recognized on the Loss on finance lease 2014 amounting to ₱243.9 million; and (iii) ₱697.3 million deferred tax liability on the ₱2,234.4 million Day 1 gain on finance lease 2013.

Management Discussion and Analysis of Operating Performance and Financial Condition

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

	December 31, 2014 as restated Audited	December 31, 2013 as restated Audited	**Horizontal Analysis Inc (Dec)**	%	**Vertical Analysis 2016**	2015
ASSETS						
Current Assets						
Cash and cash equivalents	**₱6,326,509**	₱1,170,396	**₱5,156,113**	440.5%	**15.6%**	3.8%
Investments held for trading	**2,012,885**	1,651,850	**361,035**	21.9%	**5.0%**	5.4%
Receivables	**1,474,911**	1,222,374	**252,537**	20.7%	**3.6%**	4.0%
Current portion of finance lease receivable	**722,745**	942,911	**(220,166)**	-23.3%	**1.8%**	3.1%
Advances to associates	**-**	176,723	**(176,723)**	-100.0%	**0.0%**	0.6%
Real estate for sale	**935,530**	654,967	**280,563**	42.8%	**2.3%**	2.1%
Other current assets	**2,193,830**	679,316	**1,514,514**	222.9%	**5.4%**	2.2%
	13,666,410	6,498,537	**7,167,873**	110.3%	**33.7%**	21.3%
Noncurrent Assets						
Land held for future development	**3,018,515**	2,937,309	**81,206**	2.8%	**7.4%**	9.6%
Finance lease receivable - net of current portion	**8,866,747**	8,809,301	**57,446**	0.7%	**21.9%**	28.9%
Investments in and advances to associates - net	**93,909**	801,293	**(707,384)**	-88.3%	**0.2%**	2.6%
Available-for-sale financial assets	**1,984,379**	1,870,793	**113,586**	6.1%	**4.9%**	6.1%
Investment properties	**4,432,277**	2,958,707	**1,473,570**	49.8%	**10.9%**	9.7%
Property and equipment	**576,817**	176,014	**400,803**	227.7%	**1.4%**	0.6%
Intangible asset	**5,249,552**	5,261,186	**(11,634)**	-0.2%	**12.9%**	17.3%
Goodwill	**1,828,578**	-	**1,828,578**	n/a	**4.5%**	0.0%
Pension asset	**1,103**	12,515	**(11,412)**	-91.2%	**0.0%**	0.0%
Deferred tax asset	**41,234**	-	**41,234**	n/a	**0.1%**	0.0%
Held to maturity investment	**-**	750,000	**(750,000)**	-100.0%	**0.0%**	2.5%
Other noncurrent assets	**778,084**	416,822	**361,262**	86.7%	**1.9%**	1.4%
	26,871,195	23,993,940	**2,877,255**	12.0%	**66.3%**	78.7%
TOTAL ASSET	**₱40,537,605**	₱30,492,477	**₱10,045,128**	32.9%	**100.0%**	100.0%
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other current liabilities	**₱2,584,575**	₱2,637,552	**(₱52,977)**	-2.0%	**6.4%**	8.6%
Loans payable	**3,000,017**	200,466	**2,799,551**	1396.5%	**7.4%**	0.7%
Assignment of receivables with recourse	**28,026**	89,549	**(61,523)**	-68.7%	**0.1%**	0.3%
Current portion of:						
Estimated liability on construction costs	**1,035,028**	-	**1,035,028**	n/a	**2.6%**	0.0%
Nontrade liability	**274,562**	-	**274,562**	n/a	**0.7%**	0.0%
Obligations under finance lease	**16,356**	-	**16,356**	n/a	**0.0%**	0.0%
Long-term debt	**12,500**	1,034,210	**(1,021,710)**	-98.8%	**0.0%**	3.4%
Installment payable	**928**	-	**928**	n/a	**0.0%**	0.0%
Income tax payable	**56,546**	-	**56,546**	n/a	**0.1%**	0.0%
	7,008,538	3,961,777	**3,046,761**	76.9%	**17.3%**	13.0%
Noncurrent Liabilities						
Noncurrent portion of:						
Nontrade liability	**3,966,694**	4,000,000	**(33,306)**	-0.8%	**9.8%**	13.1%
Obligations under finance lease	**76,494**	-	**76,494**	n/a	**0.2%**	0.0%
Long-term debt	**1,737,500**	468,590	**1,268,910**	270.8%	**4.3%**	1.5%
Installment payable	**198**	-	**198**	n/a	**0.0%**	0.0%
Estimated liability on construction costs	**-**	2,247,567	**(2,247,567)**	-100.0%	**0.0%**	7.4%
Deferred tax liabilities	**815,556**	836,530	**(20,974)**	-2.5%	**2.0%**	2.7%
Pension liability	**18,787**	-	**18,787**	n/a	**0.1%**	0.0%
Other non current liability	**176,552**	-	**176,552**	n/a	**0.4%**	0.0%
	6,791,781	7,552,687	**(760,906)**	-10.1%	**16.8%**	24.7%
TOTAL LIABILITIES	**13,800,319**	11,514,464	**2,285,855**	19.9%	**34.0%**	37.7%
Equity						
Attributable to equity holders of parent:						
Common stock	**10,559,383**	10,559,383	**-**	0.0%	**26.1%**	34.6%
Preferred stock	**-**	1,000,000	**(1,000,000)**	-100.0%	**0.0%**	3.3%
Additional paid-in capital	**5,503,731**	5,503,731	**0.00**	0.0%	**13.6%**	18.1%
Equity share in cost of Parent Company shares held by associates	**(2,501)**	(2,501)	**-**	0.0%	**-0.0%**	-0.0%
Cost of Parent Company common and preferred shares held by subsidiaries	**(1,604,824)**	(2,257,631)	**652,807**	-28.9%	**-4.0%**	-7.4%
Unrealized gain on available-for-sale financial assets - net	**91,965**	(185,866)	**277,831**	-149.5%	**0.2%**	-0.6%
Other reserves	**3,272,665**	21,386	**3,251,279**	15202.8%	**8.1%**	0.1%
Excess of net asset value of an investment over cost	**252,040**	252,040	**-**	0.0%	**0.6%**	0.8%
Retained Earnings	**5,831,564**	3,299,676	**2,531,888**	76.7%	**14.4%**	10.8%
Total equity attributable to equity holders of the Parent	**23,904,023**	18,190,218	**5,713,805**	31.4%	**59.0%**	59.7%
Non-controlling interests	**2,833,263**	787,795	**2,045,468**	259.6%	**7.0%**	2.6%
Total Equity	**26,737,286**	18,978,013	**7,759,273**	40.9%	**66.0%**	62.2%
TOTAL LIABILITIES AND EQUITY	**₱40,537,605**	₱30,492,477	**₱10,045,128**	32.9%	**100%**	100%

Management Discussion and Analysis of Operating Performance and Financial Condition

ASSETS

Total assets of the Company increased by ₱10,045.1 million (33%), to ₱40,537.6 million as of December 31, 2014, from ₱30,492.5 million as of December 31, 2013.

Cash and Cash Equivalents

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

Receivables net

Receivables increased by ₱252.5 million (21%), to ₱1,474.9 million as of December 31, 2014 from ₱1,222.4 million as of December 31, 2013. The increase was mainly due to higher receivables from MCE arising from construction costs for the interiors of City of Dreams Manila advanced by Belle and consolidation of Pacific Online's receivables effective June 5, 2014.

Finance Lease Receivables

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

Real Estate for Sale

Real estate for sale increased by ₱280.6 million (42.8%), to ₱935.5 million as of December 31, 2014 from ₱655.0 million as of December 31, 2013 due to construction of projects in Tagaytay Highlands.

Land Held for Future Development

Land held for future development increased by ₱81.2 million from ₱2,937.3 million to ₱3,018.5 million due to acquisition of additional raw lands in 2014.

Investments in and Advances to Associates

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

Management Discussion and Analysis of Operating Performance and Financial Condition

Investment in Held for Trading

This pertains to the club shares of Tagaytay Highlands International Golf Club, Tagaytay Midlands International Golf Club, The Country Club at Tagaytay Highlands held by Belle, as well as marketable securities held by Pacific Online in companies that are not subsidiaries or associates of Belle, comprised of listed shares of stock in Leisure and Resorts World Corporation, Vantage Equities, Inc., APC Group, Inc., DFNN, Inc., ISM Communications Corp. and Philippine Long Distance Telephone Company.

Available-for-sale Investments

Available-for-sale investments increased by ₱113.6 million (6%), to ₱1,984.4 million in December 2014 from ₱1,870.8 million in December 2013, due mainly to increases in fair value of such available-for-sale investments. These investments consists of listed shares in SM Prime Holdings, Inc. and SM Investments Corporation.

Investment Properties

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

Intangible Asset

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

Goodwill

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

Other Assets

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

LIABILITIES

Total liabilities increased by ₱2,285.9 million (20%), to ₱13,800.3 million as of December 31, 2014, from ₱11,514.5 million as of December 31, 2013, mainly due to increase in loans payable, net of decreases in long-term debt and estimated liability on construction costs.

Loans Payable and Long-Term Debt

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

Management Discussion and Analysis of Operating Performance and Financial Condition

Accounts Payable and Other Liabilities
Accounts payable and other liabilities decreased by ₱53.0 million (2%), to ₱2,584.6 million in December 2014 compared to ₱2,637.6 million in December 2013 due mainly to the payment of trade payables.

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

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

Non-trade Liability
On May 20, 2013, Belle, PLAI, BGRHC, ABLGI and LRWC entered into a Memorandum of Agreement, whereby Belle and PLAI have agreed to grant ABLGI the right to the settlement of amounts equivalent to 30% of the net lease income of the City of Dreams Manila located at Aseana Business Park in Paranaque City (the "Project") in consideration of the waiver of ABLGI's rights as casino operator, the termination ABLGI agreements and the grant of advances of ₱4,000.0 million (ABLGI advance) as funding for the construction of the casino integrated resort building. The carrying value of nontrade liability amounted to ₱4,000.0 million as at December 31, 2013.In December 2014, the implementing agreement has been executed with effectivity of terms and conditions retrospective January 1, 2014. The ₱4,000.0 million ABLGI Advance was determined as the fair value of ABLGI's 30% share in the net lease income of the Project. Such liability shall be accreted over the lease term using implicit interest rate of 13.13% per annum. The carrying value of nontrade liability amounted to ₱4,241.3 million as at December 31, 2014.

EQUITY
The Company's shareholder's equity as of December 31, 2014 of ₱26,737.3 million was higher by ₱7,759.3 million (41%), compared to the level as of December 31, 2013 of ₱18,978.0 million. The increase resulted from increases in Other Reserves, Non-controlling Interests and Retained Earnings (see following discussions).

Preferred Stock and Cost of Parent Company Shares held By Subsidiaries
In July 2014, Belle redeemed through cash payment and cancelled its preferred shares held by PLC. Consequently, the cancellation of the preferred shares also decreased the cost of parent company shares held by subsidiaries by ₱1 billion. The decrease in cost of parent company shares held by subsidiaries was offset by the Belle common shares held by Pacific Online amounting to ₱347.2 million. Pacific Online was consolidated by the Group in June 2014 when the Group increased its ownership from 34.9% to 51.9% of common shares outstanding.

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

Management Discussion and Analysis of Operating Performance and Financial Condition

Non-controlling Interest

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

Retained Earnings

For the year ended December 31, 2014, the Company recorded consolidated net income attributable to equity holders of the parent amounting to ₱2,570.0 million that augmented retained earnings. Transactions reducing retained earnings were its payment of cash dividends amounting to ₱205.8 million in July 2014. The Company thus had consolidated retained earnings of ₱5,581.6 million as of December 31, 2014, compared to consolidated retained earnings of ₱3,299.7 million as of December 31, 2013.

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

Belle Corporation (consolidated)

	Dec 31, 2014	**Dec 31, 2013**
Asset to equity ratio	**1.51: 1.00**	1.61 : 1.00
Current or Liquidity ratio	**1.95: 1.00**	1.64 : 1.00
Debt-to-equity ratio	**0.18: 1.00**	0.31 : 1.00
Interest rate coverage ratio	**13.68: 1.00**	17.39 : 1.00
Return on assets	**7.0%**	9.2%
Return on equity	**10.7%**	14.4%

Below are the comparative key performance indicators of the material partly-owned subsidiaries of Belle:

Premium Leisure Corp (consolidated)

	Dec 31, 2014	**Dec 31, 2013**
Asset to equity ratio	**1.01:1.00**	1.13:1.00
Current or Liquidity ratio	**32.76 : 1.00**	1.74 : 1.00
Debt-to-equity ratio	**Not Applicable**	Not Applicable
Interest rate coverage ratio	**Not Applicable**	Not Applicable
Return on assets	**14.93%**	(0.43%)
Return on equity	**15.20%**	(0.47%)

Pacific Online Systems Corporation (consolidated)

	Dec 31, 2014	**Dec 31, 2013**
Asset to equity ratio	1.31 : 1.00	1.43 : 1.00
Current or Liquidity ratio	3.86 : 1.00	2.58 : 1.00
Debt-to-equity ratio	0.31 : 1.00	0.43 : 1.00
Net debt-to-equity ratio	(0.26) : 1.00	(0.25) : 1.00
Interest rate coverage ratio	57.60 : 1.00	56.77 : 1.00
Return on assets	20.69%	23.30%
Return on equity	20.38%	22.48%

Management Discussion and Analysis of Operating Performance and Financial Condition

The above performance indicators are calculated as follows:

Current Ratio	Current Assets / Current Liabilities
Debt to Equity Ratio	Interest-bearing debt / Total Equity
Asset-to-equity Ratio	Total Assets / Total Equity
Return on Equity	Net Income / Average equity during the period
Return on Assets	Net Income / Average assets during the period
Interest Coverage Ratio	Income Before Interest & Tax / Interest Expense
Net debt-to-equity ratio	Interest-bearing debt less cash, cash equivalents and HTM Investments / Total Equity

The Company does not foresee any cash flow or liquidity problems over the next twelve months. As at December 31, 2014, total debt of the Company of ₱4,842.9 million were comprised of short-term bank borrowings of ₱3,000.0 million, long-term bank debt of ₱1,750.0 million and obligations under finance lease of ₱92.9 million. Belle has a number of revenue-generating projects, rental income and expected dividends from subsidiaries from which to receive cash flow. Meanwhile, the Company continues to be in compliance with the terms of all of its debt obligations.

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

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

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

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

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

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

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

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

2017 Plan of Operations

Belle shifted its principal activity from mining and oil exploration to property development when it developed Tagaytay Highlands in 1989. Residential projects in Tagaytay City include Pinecrest Village, The Villas, The Belle View and The Woodlands. Residential projects in Batangas comprise the Midlands and Greenlands development areas. Among the Midlands residential projects are Alta Mira, Lakeview Heights and Lakeside Fairways. Greenlands residential projects are Plantation Hills and four subdivisions of Saratoga Hills.

Residential projects in Tagaytay City are completed and turned over to its buyers. Lakeside Fairways was introduced in April 2007 which consists of subdivision lots adjacent to 27 holes of the Tagaytay Midlands golf course in Talisay, Batangas. The construction of 9 additional holes for the Tagaytay Midlands golf course has been completed. The first seven clusters of Lakeside Fairways (Kew Gardens, Terrazas de Alava, Lakeside Enclave, Tivoli Place, Cotswold, Katsura and Yume) and Greenlands residential projects namely Plantation Hills, The Parks, The Verandas and Fairfield at Saratoga Hills were 100% complete as of December 31, 2016. Nobhill at Saratoga Hills commenced lot turnover to buyers in 2015 and was 99.5% completed as of December 31, 2016. Sycamore Heights Phases 1-3, located at Lakeside Fairways, which have 23 hectares in developable area comprising 352 lots, were 99% complete as of December 31, 2016.

For the gaming side, construction of the Company's integrated resort at the entrance of PAGCOR's Entertainment City was completed during 2015. The site of the integrated resort is on 6.2 hectares of prime land at the corner of Roxas Boulevard and Aseana Avenue in Parañaque City, and it is about one kilometer away from the Mall of Asia complex. On October 25, 2012, Belle and PLAI signed a Cooperation Agreement with MCE for the development and operation of the integrated resort. The Cooperation Agreement places Belle as the licensee and owner of the resort's land and buildings, while MCE will be the developer and operator of all facilities within the resort complex through its Philippine subsidiary, Melco Crown (Philippines) Resorts Corporation ("MCP"). MCE is the developer and owner of integrated resort facilities historically focused on the Macau market. Its highly successful "City of Dreams" integrated resort complex on Macau's Cotai Strip houses a gaming facility, a Crown hotel, a Grand Hyatt hotel, a Hard Rock hotel, and an upscale retail operation, along with a mix of bars and restaurants that draw large crowds from Hong Kong and China. On October 9, 2013, MCP announced the use of the name of MCE's flagship Macau resort to brand the integrated resort as "City of Dreams Manila", and later announced Crown Towers, Hyatt and Nobu as the hotel brands to be used for the resort's more than 900 hotel rooms. City of Dreams Manila has approximately 30 hectares of gross floor area, which houses more than two hectares of gaming space, more than two hectares of retail and restaurant facilities, more than 900 high-quality hotel rooms and various entertainment facilities. It is currently allowed to operate a maximum of approximately 380 gaming tables, 1,680 slot machines and 1,680 electronic table games.

Management Discussion and Analysis of Operating Performance and Financial Condition

Belle and MCE estimate combined investment costs, including the estimated value of land used for the project, at approximately US$1.3 billion as of December 31, 2016. The soft opening of City of Dreams Manila took place on December 14, 2014 and the Grand Launch took place on February 2, 2015. Belle and MCE already satisfied the US$1 billion minimum required level of investment and all other PAGCOR Guidelines by the time of its Grand Launch, resulting in City of Dreams Manila being the first property in Entertainment City to be issued a Regular License, on May 5, 2015.

Existing investments will continue to be managed at Belle's listed gaming subsidiary, PLC. PLC, which is 78.7%-owned by Belle as of December 31, 2016, owns 100% of the capital stock of PLAI and 50.7% of the capital stock of Pacific Online. PLAI is a co-licensee with Belle and MCP under the PAGCOR license for City of Dreams Manila, and is entitled to a share of gaming earnings therefrom through an Operating Agreement with MCE. Pacific Online is a listed company that leases online equipment to the Philippine Charity Sweepstakes Office for its lottery and keno operations.

Investment in All-Asia Resources and Reclamation Corporation

On October 29, 2016, Belle Corporation signed an agreement to potentially invest in a consortium called All-Asia Resources and Reclamation Corporation ("ARRC"). ARRC was formed by the Tieng family to submit a proposal to the government for a reclamation project in and around Sangley Point in Cavite, called the Philippine Global Gateway Project. Details on the Philippine Global Gateway Project, including its components, timing and investors, are being worked out by ARRC directly, and we understand that ARRC will be making the disclosures on these at the appropriate times. Under the agreement, Belle may acquire an equity stake in ARRC of up to 49% subject to finalization of the subscription agreement therefor, which will include the amount and other relevant provisions concerning Belle's acquisition of shares in ARRC. The subscription agreement has not yet been finalized and signed as of this date.

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

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

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

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

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

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 including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approved the financial statements including the schedules attached therein, and submits the same to the stockholders.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited 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 audit.

EMILIO S. DE QUIROS JR.
Chairman of the Board

FREDERIC C. DYBUNCIO
President and Chief Executive Officer

MANUEL A. GANA
Executive Vice President
and Chief Financial Officer

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Belle Corporation and its subsidiaries ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the *Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of goodwill in Pacific Online Systems Corporation

Under PFRS, the Company is required to annually test the amount of goodwill for impairment. As of December 31, 2016, goodwill arising from the acquisition of Pacific Online Systems Corporation (Pacific Online) amounted to ₱1,717.6 million out of a total goodwill balance of ₱1,828.6 million as discussed in Note 20 to the consolidated financial statements. The Company's assessment of the recoverable amount of the Pacific Online cash generating unit (CGU) was based on value-in-use calculation. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically revenue growth rate, discount rate and the long-term growth rate. Given the significant level of management judgement and estimation involved in the value-in-use calculation, we considered this area to be a key audit matter.

Audit response

We obtained an understanding of the Company's impairment assessment process and the related controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rate, discount rate and the long-term growth rate. We compared the key assumptions used, such as revenue growth rate against the historical performance of the CGU and other relevant external data. We tested the parameters used in the derivation of the discount rate against market data. We also reviewed the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Estimated Useful Life of Gaming License

Under PFRS, the Company is required to review the amortization period for an intangible asset with a finite useful life at least at each financial year-end. As discussed in Note 18 to the consolidated financial statements, in 2016, as part of its annual review process, the Company changed the estimated useful life of its gaming license to consider the specific terms of its gaming license and other industry developments. Since the change in the estimated useful life involves significant management judgment and estimates, we considered this as a key audit matter.

Audit response

We obtained an understanding of management's basis for the change in the estimated useful life of the gaming license, specifically the basis for the inclusion of the renewal period of the Philippine Amusement and Gaming Corporation's (PAGCOR's) congressional franchise. We reviewed management's assessment of the factors relevant to whether the Company would be able to include the renewal period in the estimated useful life of the gaming license. We obtained the Company's external legal counsel's opinion, which provides that there is legal and reasonable factual basis to extend the estimated useful life of the gaming license to include the renewal period consistent with the view that PAGCOR's congressional franchise has historically been renewed. We reviewed management's assessment of other industry developments to support the viability of using the gaming license over the extended period by looking at market data and industry information. We also assessed the adequacy of the related disclosures on the change in the estimated useful life of the gaming license.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
SEC Accreditation No. 0923-AR-2 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 153-978-243
BIR Accreditation No. 08-001998-78-2015,
June 26, 2015, valid until June 25, 2018
PTR No. 5908672, January 3, 2017, Makati City

February 28, 2017

BELLE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Financial Position

(Amounts in Thousands)

	December 31, 2016	December 31, 2015 (As restated - Note 10)	January 1, 2015 (As restated - Note 10)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 9 and 45)	**₱2,953,262**	₱3,570,065	₱6,326,509
Investments held for trading (Notes 10 and 45)	**2,232,710**	2,124,947	2,012,885
Receivables (Notes 11 and 45)	**1,881,754**	1,624,433	1,474,911
Current portion of finance lease receivable (Notes 39 and 45)	**1,541,035**	1,419,651	722,745
Real estate for sale - at cost (Note 12)	**802,854**	843,074	935,530
Other current assets (Notes 13 and 45)	**1,210,973**	2,323,619	2,193,830
Total Current Assets	**10,622,588**	11,905,789	13,666,410
Noncurrent Assets			
Finance lease receivable - net of current portion (Notes 39 and 45)	**16,104,586**	15,725,603	8,866,747
Intangible asset (Note 18)	**4,812,707**	4,970,341	5,249,552
Land held for future development (Note 12)	**3,092,399**	3,018,515	3,018,515
Available-for-sale financial assets (Notes 15 and 45)	**2,026,944**	2,148,003	1,984,379
Goodwill (Notes 19 and 20)	**1,828,578**	1,828,578	1,828,578
Investment properties (Notes 16, 25 and 39)	**1,540,961**	1,540,961	4,432,277
Property and equipment (Note 17)	**690,378**	770,716	576,817
Investments in and advances to associates - net (Notes 14, 41 and 45)	**77,903**	65,364	93,909
Pension asset (Note 40)	**10,048**	10,732	1,103
Deferred tax assets (Note 38)	**14,576**	42,261	41,234
Other noncurrent assets (Notes 21 and 45)	**743,290**	710,167	778,084
Total Noncurrent Assets	**30,942,370**	30,831,241	26,871,195
TOTAL ASSETS	**₱41,564,958**	₱42,737,030	₱40,537,605
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other current liabilities (Notes 22, 41 and 45)	**₱1,254,065**	₱1,529,691	₱2,584,575
Loans payable (Notes 23 and 45)	**2,000,017**	1,000,017	3,000,017
Estimated liability on construction costs (Note 16)	**23,376**	2,556,836	1,035,028
Income tax payable	**51,900**	49,600	56,546
Assignment of receivables with recourse (Notes 11 and 45)	**–**	–	28,026
Current portion of:			
Nontrade liability (Notes 26 and 45)	**3,762,000**	455,886	274,562
Long-term debt (Notes 25 and 45)	**862,500**	362,500	12,500
Obligations under finance lease (Notes 39 and 45)	**47,698**	25,028	16,356
Installment payable (Notes 39 and 45)	**–**	173	928
Total Current Liabilities	**8,001,556**	5,979,731	7,008,538

(Forward)

	December 31, 2016	December 31, 2015 (As restated - Note 10)	January 1, 2015 (As restated - Note 10)
Noncurrent Liabilities			
Noncurrent portion of:			
Long-term debt (Notes 25 and 45)	**₱3,759,375**	₱4,621,875	₱1,737,500
Obligations under finance lease (Notes 39 and 45)	**71,644**	93,527	76,494
Nontrade liability (Notes 26 and 45)	**–**	4,839,172	3,966,694
Installment payable (Notes 39 and 45)	**–**	–	198
Pension liability (Note 40)	**12,550**	23,078	18,787
Deferred tax liabilities - net (Note 38)	**1,742,187**	1,175,431	815,556
Other noncurrent liabilities (Note 24)	**233,864**	267,714	176,552
Total Noncurrent Liabilities	**5,819,620**	11,020,797	6,791,781
TOTAL LIABILITIES	**13,821,176**	17,000,528	13,800,319
Equity			
Attributable to equity holders of the parent:			
Common stock (Note 27)	**10,561,000**	10,561,000	10,559,383
Additional paid-in capital	**5,503,731**	5,503,731	5,503,731
Treasury shares (Note 27)	**(181,185)**	(134,442)	–
Equity share in cost of Parent Company shares held by associates (Note 14)	**(2,501)**	(2,501)	(2,501)
Cost of Parent Company common shares held by subsidiaries (Note 3)	**(1,758,264)**	(1,749,628)	(1,604,824)
Unrealized gain on available-for-sale financial assets - net (Note 15)	**836,876**	535,237	91,965
Retained earnings (Note 27)	**6,289,302**	4,552,639	5,831,564
Other reserves (Notes 2, 3 and 40)	**3,082,825**	3,085,896	3,272,665
Excess of acquisition cost over net assets of acquired subsidiaries (Note 19)	**252,040**	252,040	252,040
Total Equity Attributable to Equity Holders of the Parent	**24,583,824**	22,603,972	23,904,023
Non-controlling interests (Note 3)	**3,159,958**	3,132,530	2,833,263
Total Equity	**27,743,782**	25,736,502	26,737,286
TOTAL LIABILITIES AND EQUITY	**₱41,564,958**	₱42,737,030	₱40,537,605

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		
	2016	2015 (As restated - Note 10)	2014 (As restated - Note 10)
REVENUE			
Interest income on finance lease (Note 39)	**₱2,003,840**	₱1,917,354	₱1,409,173
Gaming revenue share - net (Notes 28 and 42)	**1,642,976**	756,238	38,809
Equipment rental (Notes 39 and 42)	**1,579,661**	1,459,237	828,740
Sale of real estate	**350,253**	354,774	299,248
Commission and distribution income	**308,438**	259,081	202,559
Lease income (Note 39)	**190,042**	190,906	188,757
Revenue from property management	**127,168**	112,682	115,356
Others (Note 29)	**119,130**	301,405	234,443
	6,321,508	5,351,677	3,317,085
COSTS AND EXPENSES			
Cost of lottery services (Note 30)	**(931,263)**	(827,032)	(492,988)
Cost of gaming operations (Note 31)	**(416,507)**	(382,023)	(18,709)
Cost of lease income (Note 33)	**(209,391)**	(152,584)	(11,368)
Cost of real estate sold (Notes 12 and 32)	**(120,517)**	(160,976)	(133,877)
Cost of services for property management (Note 34)	**(63,813)**	(80,208)	(88,052)
General and administrative expenses (Note 35)	**(957,280)**	(718,524)	(544,541)
	(2,698,771)	(2,321,347)	(1,289,535)
OTHER INCOME (EXPENSES)			
Accretion of nontrade liability (Note 26)	**(455,229)**	(651,684)	(533,348)
Interest expense (Note 36)	**(355,779)**	(273,977)	(98,723)
Unrealized mark-to-market gain on investments held for trading (Note 10)	**148,554**	150,646	266,037
Interest income (Note 36)	**28,782**	34,470	29,979
Gain (loss) on finance lease (Notes 16 and 39)	**15,882**	–	(812,842)
Net foreign exchange gain (loss)	**(10,816)**	36,135	(7,619)
Equity in net earnings of associates (Note 14)	**–**	27,340	117,190
Other income (Note 37)	**981,628**	87,855	2,079,022
	353,022	(589,215)	1,039,696
INCOME BEFORE INCOME TAX	**3,975,759**	2,441,115	3,067,246
PROVISION FOR INCOME TAX (Note 38)			
Current	**283,461**	306,296	179,943
Deferred	**596,175**	363,038	(37,147)
	879,636	669,334	142,796
NET INCOME	**3,096,123**	1,771,781	2,924,450

(Forward)

	Years Ended December 31		
	2016	2015 (As restated - Note 10)	2014 (As restated - Note 10)
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 15)	**₱653,381**	₱533,614	₱277,831
Realized gain on available-for-sale financial assets (Note 15)	**(351,680)**	(90,342)	–
Fair value change due to recovery of previous impairment (Note 42)	**–**	–	1,559,847
Recycling of fair value change due to cancellation of Swap Agreement (Note 42)	**–**	–	(1,559,847)
Share in unrealized gain in available-for-sale financial assets of associates (Note 14)	**–**	–	1,573
	301,701	443,272	279,404
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) of pension asset/ liability - net (Note 40)	**(5,972)**	9,046	(23,178)
Income tax effect	**2,797**	(2,714)	6,954
	(3,175)	6,332	(16,224)
TOTAL OTHER COMPREHENSIVE INCOME	**298,526**	449,604	263,180
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱3,394,649**	₱2,221,385	₱3,187,630
Net income attributable to:			
Equity holders of the parent (Note 44)	**₱2,700,117**	₱1,533,731	₱2,570,029
Non-controlling interests	**396,006**	238,050	354,421
	₱3,096,123	₱1,771,781	₱2,924,450
Total comprehensive income attributable to:			
Equity holders of the parent	**₱2,998,685**	₱1,980,388	₱2,833,209
Non-controlling interests	**395,964**	240,997	354,421
	₱3,394,649	₱2,221,385	₱3,187,630
Basic/Diluted Earnings Per Share (Note 44)	**₱0.266**	₱0.150	₱0.252

See accompanying Notes to Consolidated Financial Statements.

BELLE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts In Thousands)

	Attributable to Equity				
	Common Stock (Note 27)	**Additional Paid-in Capital**	**Treasury Shares** (Note 27)	**Equity Share in Cost of Parent Company Shares Held by Associates** (Notes 14 and 27)	**Cost of Parent Company Common Shares Held by Subsidiaries** (Note 27)
Balance at January 1, 2016, as previously reported	**₱10,561,000**	**₱5,503,731**	**(₱134,442)**	**(₱2,501)**	**(₱1,749,628)**
Effect of restatement (Note 10)	–	–	–	–	–
Balance at January 1, 2016, as restated	**10,561,000**	**5,503,731**	**(134,442)**	**(2,501)**	**(1,749,628)**
Purchase of treasury shares	–	–	**(46,743)**	–	–
Purchase of treasury shares by Pacific Online	–	–	–	–	–
Acquisition of additional Parent Company shares by Pacific Online	–	–	–	–	**(8,636)**
Cash dividends (Notes 2 and 27)	–	–	–	–	–
Net income	–	–	–	–	–
Remeasurement loss of defined benefit - asset (liability) net	–	–	–	–	–
Unrealized gain on available-for-sale financial assets - net (Note 15)	–	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	–	–
Balance at December 31, 2016	**₱10,561,000**	**₱5,503,731**	**(₱181,185)**	**(₱2,501)**	**(₱1,758,264)**
Balance at January 1, 2015, as previously reported	₱10,559,383	₱5,503,731	₱–	(₱2,501)	(₱1,604,824)
Effect of restatement (Note 10)	–	–	–	–	–
Balance at January 1, 2015, as restated	10,559,383	5,503,731	–	(2,501)	(1,604,824)
Issuance of common stock	1,617	–	–	–	(1,617)
Purchase of treasury shares	–	–	(134,442)	–	–
Acquisition of non-controlling interest in subsidiaries (Note 27)	–	–	–	–	–
Acquisition of additional Parent Company shares by Pacific Online	–	–	–	–	(143,187)
Disposal of Parent Company interest in Pacific Online and transaction costs (Note 2)	–	–	–	–	–
Collections of subscriptions from non-controlling shareholders	–	–	–	–	–
Cash dividends (Notes 2 and 27)	–	–	–	–	–
Net income, as previously reported	–	–	–	–	–
Effect of restatement (Note 10)	–	–	–	–	–
Net income, as restated	–	–	–	–	–
Remeasurement loss of defined benefit - asset (liability) net	–	–	–	–	–
Unrealized gain on available-for-sale financial assets - net (Note 15)	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–
Balance at December 31, 2015	₱10,561,000	₱5,503,731	(₱134,442)	(₱2,501)	(₱1,749,628)

Holders of the Parent								
	Other Reserves							
Unrealized Gain on Available-for-Sale Financial Assets - net (Notes 10 and 15)	**Share in Unrealized Gain (Loss) on Available-for-Sale Financial Assets of Associates** (Note 14)	**Remeasurement of Pension Income (Expense)** (Note 40)	**Transactions with Non-Controlling Interests**	**Excess of Acquisition Cost over Net Assets of Acquired Subsidiaries** (Note 19)	**Retained Earnings** (Notes 10 and 27)	**Total**	**Non-controlling Interests**	**Total Equity**
₱520,618	**₱14,061**	**(₱3,941)**	**₱3,075,776**	**₱252,040**	**₱4,903,882**	**₱22,940,596**	**₱3,132,530**	**₱26,073,126**
14,619	**–**	**–**	**–**	**–**	**(351,243)**	**(336,624)**	**–**	**(336,624)**
535,237	**14,061**	**(3,941)**	**3,075,776**	**252,040**	**4,552,639**	**22,603,972**	**3,132,530**	**25,736,502**
–	**–**	**–**	**–**	**–**	**–**	**(46,743)**	**–**	**(46,743)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**(56,819)**	**(56,819)**
–	**–**		**–**	**–**	**–**	**(8,636)**	**–**	**(8,636)**
–	**–**	**–**	**–**	**–**	**(963,454)**	**(963,454)**	**(311,717)**	**(1,275,171)**
–	**–**	**–**	**–**	**–**	**2,700,117**	**2,700,117**	**396,006**	**3,096,123**
–	**–**	**(3,071)**	**–**	**–**	**–**	**(3,071)**	**(104)**	**(3,175)**
301,639	**–**	**–**	**–**	**–**	**–**	**301,639**	**62**	**301,701**
301,639	**–**	**(3,071)**	**–**	**–**	**2,700,117**	**2,998,685**	**395,964**	**3,394,649**
₱836,876	**₱14,061**	**(₱7,012)**	**₱3,075,776**	**₱252,040**	**₱6,289,302**	**₱24,583,824**	**₱3,159,958**	**₱27,743,782**
₱87,046	₱14,061	(₱7,326)	₱3,265,930	₱252,040	₱6,530,078	₱24,597,618	₱2,833,263	₱27,430,881
4,919	–	–	–	–	(698,514)	(693,595)	–	(693,595)
91,965	14,061	(7,326)	3,265,930	252,040	5,831,564	23,904,023	2,833,263	26,737,286
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	(134,442)	–	(134,442)
–	–	–	–	–	–	–	(74,909)	(74,909)
–	–		–	–	–	(143,187)	–	(143,187)
–	–	–	(190,154)	–	–	(190,154)	179,205	(10,949)
–	–	–	–	–	–	–	185,481	185,481
–	–	–	–	–	(2,812,656)	(2,812,656)	(231,507)	(3,044,163)
–	–	–	–	–	1,186,460	1,186,460	238,050	1,424,510
–	–	–	–	–	347,271	347,271	–	347,271
–	–	–	–	–	1,533,731	1,533,731	238,050	1,771,781
–	–	3,385	–	–	–	3,385	2,947	6,332
443,272	–	–	–	–	–	443,272	–	443,272
443,272	–	3,385	–	–	1,533,731	1,980,388	240,997	2,221,385
₱535,237	₱14,061	(₱3,941)	₱3,075,776	₱252,040	₱4,552,639	₱22,603,972	₱3,132,530	₱25,736,502

BELLE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts In Thousands, Except Per Share Amounts)

	Attributable to Equity				
	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 14)	Cost of Parent Company Common Shares Held by Subsidiaries (Note 27)
Balance at January 1, 2014, as previously reported	₱1,000,000	₱10,559,383	₱5,503,731	(₱2,501)	(₱2,257,631)
Effect of restatement (Note 10)	–	–	–	–	–
Balance at January 1, 2014, as restated	1,000,000	10,559,383	5,503,731	(2,501)	(2,257,631)
Redemption of preferred stock (Note 3)	(1,000,000)	–	–	–	1,000,000
Cancellation of share swap between PLC and LIR (Note 42)	–	–	–	–	–
Acquisition of subsidiary accounted for under acquisition method (Note 19)	–	–	–	–	(328,074)
Acquisition of non-controlling interest in subsidiaries	–	–	–	–	–
Acquisition of additional Parent Company shares by Pacific Online	–	–	–	–	(21,192)
Disposal of Parent Company shares by Pacific Online	–	–	–	–	2,073
Disposal of Parent Company interest in PLC without loss of control (Note 2)	–	–	–	–	–
Disposal of Parent Company interest in PLAI without loss of control (Note 3)	–	–	–	–	–
Disposal of Parent Company interest in Pacific Online without loss of control (Note 3)	–	–	–	–	–
Parent Company's additional subscription in PLC (Note 3)	–	–	–	–	–
Transaction costs of acquisition and disposal of interest in subsidiaries (Note 3)	–	–	–	–	–
Collections of subscription from non-controlling shareholders	–	–	–	–	–
Cash dividends (Notes 2 and 27)	–	–	–	–	–
Net income, as previously reported	–	–	–	–	–
Effect of restatement (Note 10)	–	–	–	–	–
Net income, as restated	–	–	–	–	–
Unrealized gain (loss) on available-for-sale financial assets - net (Note 15)	–	–	–	–	–
Disposal of share in unrealized loss on available-for-sale financial asset of associate	–	–	–	–	–
Remeasurement loss of defined benefit - asset (liability) net	–	–	–	–	–
Fair value change due to recovery of previous impairment	–	–	–	–	–
Recycling of fair value change due to cancellation of Swap Agreement (Notes 15 and 42)	–	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	–	–
Balance at December 31, 2014	₱–	₱10,559,383	₱5,503,731	(₱2,501)	(₱1,604,824)

Holders of the Parent								
	Other Reserves							
Unrealized Gain (Loss) on Available-for-Sale Financial Assets - net (Notes 10 and 15)	Share in Unrealized Gain (Loss) on Available-for-Sale Financial Assets of Associates (Note 14)	Remeasurement of Pension Income (Expense) (Note 40)	Transactions with Non-Controlling Interests	Excess of Acquisition cost Over Net Assets of Acquired Subsidiaries (Note 19)	Retained Earnings (Notes 10 and 27)	Total	Non-controlling Interests	Total Equity
(₱190,785)	₱12,488	₱8,898	₱–	₱252,040	₱4,533,666	₱19,419,289	₱787,795	₱20,207,084
4,919	–	–	–	–	(1,066,290)	(1,061,371)	–	(1,061,371)
(185,866)	12,488	8,898	–	252,040	3,467,376	18,357,918	787,795	19,145,713
–	–	–	–	–	–	–	–	–
–	–	–	(961,972)	–	–	(961,972)	(257,161)	(1,219,133)
–	–		–	–	–	(328,074)	665,879	337,805
–	–	–	–	–	–	–	(231,696)	(231,696)
–	–		–	–	–	(21,192)	–	(21,192)
–	–	–	–	–	–	2,073	–	2,073
–	–	–	3,830,380	–	–	3,830,380	1,704,136	5,534,516
–	–	–	(55,288)	–	–	(55,288)	55,288	–
–	–	–	(304,934)	–	–	(304,934)	559,595	254,661
–	–	–	1,896,027	–	–	1,896,027	(1,896,027)	–
–	–	–	(1,138,283)	–	–	(1,138,283)	–	(1,138,283)
–	–	–	–	–	–	–	1,165,644	1,165,644
–	–	–	–	–	(205,841)	(205,841)	(74,611)	(280,452)
–	–	–	–	–	2,202,253	2,202,253	354,421	2,556,674
–	–	–	–	–	367,776	367,776	–	367,776
–	–	–	–	–	2,570,029	2,570,029	354,421	2,924,450
277,831	–	–	–	–	–	277,831	–	277,831
–	1,573	–	–	–	–	1,573	–	1,573
–	–	(16,224)	–	–	–	(16,224)	–	(16,224)
1,559,847	–	–	–	–	–	1,559,847	–	1,559,847
(1,559,847)	–	–	–	–	–	(1,559,847)	–	(1,559,847)
277,831	1,573	(16,224)	–	–	2,570,029	2,833,209	354,421	3,187,630
₱91,965	₱14,061	(₱7,326)	₱3,265,930	₱252,040	₱5,831,564	₱23,904,023	₱2,833,263	₱26,737,286

BELLE CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Amounts In Thousands)

	Years Ended December 31		
	2016	2015 (As restated - Note 10)	2014 (As restated - Note 10)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,975,759**	₱2,441,115	₱3,067,246
Adjustments for:			
Interest income on finance lease (Note 39)	**(2,003,840)**	(1,917,354)	(1,409,173)
Gain on pre-termination of ABLGI advances (Note 26)	**(634,800)**	–	–
Accretion of nontrade liability (Note 26)	**455,229**	651,684	533,348
Depreciation and amortization (Notes 17, 18, 30, 31, 34 and 35)	**363,990**	431,135	140,560
Interest expense (Note 36)	**355,779**	273,977	98,723
Loss (gain) on sale of:			
Available-for-sale investments (Notes 15 and 37)	**(351,680)**	(90,342)	–
Sale of investment in associate (Notes 14 and 37)	**(5,603)**	–	–
Property and equipment (Notes 17 and 37)	**(30)**	397	(451)
Investments held for trading (Notes 10 and 37)	**–**	(7,439)	(22,296)
Held-to-maturity investments (Note 37)	**–**	–	(31,353)
Unrealized mark-to-market gain on investments held for trading (Note 37)	**(148,554)**	(150,646)	(266,037)
Amortization of discount on trade receivables (Notes 11 and 29)	**(48,204)**	(56,768)	(9,954)
Provision for (reversal of):			
Impairment loss on investment in associates (Note 37)	**(45,928)**	(255)	–
Impairment loss on advances to associates (Note 37)	**29,398**	–	40
Impairment loss on receivables (Note 37)	**13,823**	32,437	5,492
Interest income (Note 36)	**(28,782)**	(34,470)	(29,979)
Dividend income (Note 29)	**(28,371)**	(23,209)	(22,443)
Loss (gain) in finance lease (Notes 16 and 39)	**(15,882)**	–	812,842
Pension costs (Notes 35 and 40)	**15,743**	20,241	8,913
Unrealized foreign exchange loss – net	**13,021**	(36,135)	7,619
Equity in net earnings of associates (Note 14)	**–**	(27,340)	(117,190)
Gain from cancellation of Swap Agreement (Note 42)	**–**	–	(1,219,133)
Gain on significant acquisitions - net (Note 19)	**–**	–	(879,348)
Working capital adjustments:			
Decrease (increase) in:			
Receivables	**1,281,562**	871,118	1,266,829
Real estate for sale and land held for future development	**(33,664)**	92,456	(361,769)
Club shares held for trading (Notes 10 and 29)	**17,171**	45,980	133,612
Other assets	**992,840**	(102,963)	(1,773,960)
Decrease in trade and other current liabilities	**(665,254)**	(990,747)	(176,462)
Net cash generated from (used for) operations	**3,503,723**	1,422,872	(244,324)
Income taxes paid	**(193,417)**	(272,151)	(123,397)
Contributions to the retirement fund (Note 40)	**(31,557)**	(15,000)	(15,000)
Interest received	**28,782**	34,470	44,929
Net cash provided by (used in) operating activities	**3,307,531**	1,170,191	(337,792)
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures on investment properties (Note 16)	**(2,517,578)**	(2,171,854)	(2,605,824)
Acquisitions of:			
Property and equipment (Note 17)	**(134,661)**	(366,257)	(104,535)
Investments held for trading (Note 10)	**(5,683)**	(65,138)	(30,060)
Investment in associate (Note 14)	**–**	–	(413,272)

(Forward)

	Years Ended December 31		
	2016	2015 (As restated - Note 10)	2014 (As restated - Note 10)
Proceeds from disposal of:			
Investments held for trading (Note 10)	**₱29,303**	₱65,181	₱200,201
Available-for-sale financial assets (Note 15)	**774,440**	308,515	–
Property and equipment (Notes 17 and 37)	**8,673**	20,037	572
Dividends received (Note 29)	**27,342**	23,209	22,443
Decrease in investments in and advances to associates and related parties	**9,550**	56,140	–
Payment of subscription (Note 14)	**–**	(3,675,000)	–
Collection of advances from associate (Note 14)	**–**	3,675,000	–
Purchase consideration for acquisitions of subsidiaries, net of cash acquired (Note 19)	**–**	–	(195,576)
Proceeds from redemption of held-to-maturity investments (Note 41)	**–**	–	781,353
Interest paid - capitalized to investment properties (Note 16)	**–**	–	(80,285)
Net cash used in investing activities	**(1,808,614)**	(2,130,167)	(2,424,983)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term debt and loans payable (Notes 23 and 25)	**(662,500)**	(3,015,625)	(4,013,459)
Acquisition of Parent Company shares held by a subsidiary (Note 27)	**(8,636)**	(145,931)	(21,192)
Interest - net of capitalized interest	**–**	(273,977)	(98,723)
Transaction costs of acquisition and disposal of non-controlling interest (Note 3)	**–**	(10,949)	(1,138,283)
Proceeds from:			
Availment of loans and long-term debt (Notes 23 and 25)	**1,300,000**	4,250,000	7,050,000
Disposal of Parent Company interest in PLC without loss of control (Note 2)	**–**	–	5,534,516
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	–
Disposal of Parent Company shares held by a subsidiary	**–**	–	2,073
Dividends paid	**(1,275,172)**	(3,039,387)	(280,452)
Acquisition of:			
Treasury shares by Parent Company (Note 27)	**(46,743)**	(134,442)	–
Treasury shares by Pacific Online	**(56,819)**		
Non-controlling interest (Note 27)	**–**	(74,909)	(231,696)
Increase (decrease) in:			
Nontrade liability	**(1,353,487)**	(377,883)	(292,092)
Obligations under finance lease	**787**	25,706	118
Installment payable	**(173)**	(952)	(2,336)
Advances from related parties	**44**	(2,479)	(2,272)
Net cash provided by (used in) financing activities	**(2,102,699)**	(1,832,603)	7,926,507
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(13,021)**	36,135	(7,619)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(616,803)**	(2,756,444)	5,156,113
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,570,065**	6,326,509	1,170,396
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 9)	**₱2,953,262**	₱3,570,065	₱6,326,509

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 28, 2017.

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. The consolidated financial statements are presented in Philippine peso, the Parent Company's functional and presentation currency, and all values are rounded to the nearest thousands, except when otherwise indicated.

In addition, the Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at January 1, 2015 is presented in the consolidated financial statements due to reclassification adjustment (see Note 10).

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, 2016 and 2015. 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.

Generally, there is a presumption that a majority voting rights results in control. To support this presumption, and when the Company has less than a majority of the voting or 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.

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

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:

		2016			2015		
		Percentage of Ownership			Percentage of Ownership		
Subsidiaries	Industry	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total
Belle Bay Plaza Corporation (Belle Bay Plaza)*	Investment	**100.0**	**–**	**100.0**	100.0	–	100.0
Metropolitan Leisure and Tourism Corporation (MLTC)*	Investment	**100.0**	**–**	**100.0**	100.0	–	100.0
Parallax Resources, Inc. (Parallax)*	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. (BGRHI)	Investment	**90.0**	**–**	**90.0**	90.0	–	90.0
Premium Leisure Corp. (PLC) (formerly Sinophil Corporation) and Subsidiaries:	Gaming	**78.7**	**0.3**	**79.0**	78.7	0.3	79.0
PremiumLeisure 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	**–**	**50.7**	**50.7**	–	50.1	50.1
Loto Pacific Leisure Corporation (LotoPac)	Gaming	**–**	**100.0**	**100.0**	–	100.0	100.0
Lucky Circle Corporation (LCC)	Gaming	**–**	**100.0**	**100.0**	–	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.

<u>Material Partly-owned Subsidiaries</u>

PLC

The non-controlling interests of PLC are material to the Company in 2016, 2015 and 2014. Non-controlling interests hold 21.0% as at December 31, 2016 and 2015.

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, 2016, 2015 and 2014:

	2016	2015	2014
		(In Thousands)	
Total current assets	**₱3,965,118**	₱3,147,209	₱3,035,433
Total noncurrent assets	**12,942,675**	13,294,789	12,837,428
Total current liabilities	**635,297**	440,574	83,954
Total noncurrent liabilities	**84,194**	112,166	1,048
Total equity	**₱16,188,302**	₱15,889,258	₱15,787,859
Attributable to:			
Equity holders of the Parent	**₱15,357,860**	₱15,042,176	₱15,787,859
Non-controlling interests	**830,442**	847,082	–
Total	**₱16,188,302**	₱15,889,258	₱15,787,859

Summarized Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
		(In Thousands)	
Revenue	**₱3,531,076**	₱1,475,565	₱38,809
Costs and expenses	**(2,125,154)**	(1,209,625)	(468,992)
Other income - net	**34,779**	141,978	1,774,245
Income before income tax	**1,440,701**	407,918	1,344,062
Provision for income tax	**(282,601)**	(184,763)	(5,117)
Net income	**1,158,100**	223,155	1,338,945
Other comprehensive income (loss)	**61,701**	(286,137)	77,750
Total comprehensive income (loss)	**₱1,219,801**	(₱62,982)	₱1,416,695
Attributable to:			
Equity holders of the Parent	**₱1,005,381**	(₱105,673)	₱1,416,695
Non-controlling interests	**214,420**	42,691	–
Total	**₱1,219,801**	(₱62,982)	₱1,416,695

Summarized Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
		(In Thousands)	
Operating	**₱1,609,347**	₱975,177	(₱383,598)
Investing	**(52,508)**	(1,805,244)	(11,020,891)
Financing	**(932,891)**	(674,498)	14,095,686
Net increase (decrease) in cash and cash equivalents	**₱623,948**	(₱1,504,565)	₱2,691,197

Dividend paid in 2016, 2015 and 2014 to non-controlling interests amounted to ₱311.7 million, ₱231.5 million and nil, respectively.

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.

Pacific Online

The non-controlling interests of Pacific Online are material to the Company in 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:

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

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

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

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

	(In Thousands)
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.

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 Philippine Amusement and Gaming Corporation (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 that the Company has adopted the following new accounting pronouncements starting January 1, 2016. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to 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

  These 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. They also clarify 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) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

  These amendments are not applicable to the Company since none of the entities within the Company is an investment entity.

- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*

  The amendments to PFRS 11 require 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 (as defined by PFRS 3), to 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.

  These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the period.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

  Since the Company is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. 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 other comprehensive income 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 other comprehensive income 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.

  These amendments do not have any significant impact to the Company.

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

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

These amendments are applied prospectively and do not have any impact to the Company, given that the Company has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

  The amendments are applied retrospectively and do not have any impact on the Company as the Company does not have any bearer plants.

- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*

  The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

  These amendments do not have any impact on the Company's consolidated financial statements.

- Annual Improvements to PFRSs 2012 - 2014 Cycle

  - Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*

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

  - Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*

    PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance 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.

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

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

  - Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*

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

  - Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

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

5. FUTURE CHANGES IN ACCOUNTING POLICIES

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Company.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

  These amendments are not expected to have any impact on the Company.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Company is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Company since none of the entities within the Company have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of adopting this standard.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement,* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the Company's application of hedge accounting and on the amount of its credit losses. The Company is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements* to PFRSs 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Company is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.* The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus Noncurrent Classification
The Company presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

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.

Fair Value Measurement
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.

"Day 1" Difference
When the transaction price in a non-active 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 unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss 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.

Financial Instruments - Initial Recognition and Subsequent Measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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 (regular way trades) are recognized on trade date, i.e., the date the Company commits to purchase or sell the asset.

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

Categories of Financial Assets and Subsequent Measurement. 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, 2016 and 2015, the Company has no HTM investments and 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.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income according to the terms of the contract, or when the right of payment has been established.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in the fair value recognized in profit or loss. Remeasurement only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

The Company evaluates its financial assets at FVPL (held for trading) whether the intent to sell them in the near term is appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly change, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, AFS financial assets or HTM investments depends on the nature of the asset. This evaluation does not affect any financial assets designated at FVPL using the fair value option at designation.

The Company's financial assets held for trading consist of quoted equity instruments and club shares shown under "Investments held for trading" account in the consolidated statements of financial position.

- 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. After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are not integral part of the EIR. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are classified as current assets when the Company expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

This category includes the Company's cash and cash equivalents, 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.

- AFS Financial Assets

AFS financial assets are non-derivative financial assets that are designated as AFS or do not qualify to be classified as loans and receivables, financial assets at FVPL or HTM investments. Equity investments classified as AFS are those which are intended to be held for an indefinite period of time and are neither classified as held for trading nor designated as at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

AFS financial assets are carried at fair value with unrealized gains or losses recognized under other comprehensive income until the financial asset is derecognized or determined to be impaired at which time the accumulated gains or losses previously reported under other comprehensive income are reclassified to profit or loss. Interest earned whilst holding AFS financial assets is reported as interest income using effective interest rate method. AFS financial assets that are not quoted in an active market and whose fair value cannot be measured reliably are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of investment. If a reliable measure ceases to be available, AFS financial assets are thereafter measured at cost, which is deemed to be the fair value carrying amount at that date. Assets under this category are classified as current assets if expected to be realized within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

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.

<u>Financial Liabilities</u>

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

Initial Recognition of Financial Liabilities. Financial liabilities are recognized initially at fair value of the consideration received which is determined by reference to the transaction price or other market prices, and in the case of other financial liabilities, inclusive of any directly attributable transaction costs. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

Categories of Financial Liabilities and Subsequent Measurement. 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, 2016 and 2015, the Company has no financial liabilities as at FVPL and derivatives designated as hedging instruments.

- Other Financial Liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability where the substance of the contractual arrangements results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavorable to the Company. These include liabilities arising from operations or borrowings.

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 income when the liabilities are derecognized as well as through the amortization process. Other financial liabilities are included in current liabilities if maturity is within 12 months from the reporting date or the Company does not have an unconditional right to defer payment for at least 12 months from the reporting date. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2016 and 2015, this category includes the Company's trade and other current liabilities (excluding customers' deposits, statutory payables and other liabilities to the government), loans payable, nontrade liability, obligations under finance lease, installment payable and long-term debt.

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. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

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. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When 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 investment previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of 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 rights to receive cash flows from the assets have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

When 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.

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 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 acquisition cost over net assets of acquired subsidiaries" 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 or as a change to other comprehensive income. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. If the contingent consideration is classified as equity, it should not be remeasured, and subsequent settlement is accounted for within equity.

Goodwill

Goodwill acquired in a business combination is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling inter costs and any previous interest held over the net identifiable assets acquired and liabilities assumed). 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.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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. Impairment loss with respect to goodwill cannot be reversed in future periods.

When 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 and the portion of the cash-generating unit retained.

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	3–5 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.

The Company made upfront payments to purchase a license. The license has been granted for a period of 18.6 years, renewable for another 25 years, by the relevant government agency. The license was assessed as having a finite life.

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 and intangible asset 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 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 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.

Gaming Revenue Share - net. Revenue representing monthly payments from MCE Leisure (Philippines) Corporation (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.

Equipment Rental. Revenue is 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 Real Estate. Revenue from sale of real estate, which include the sale of lots and condominium units, 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 on the basis of the estimated completion of a physical proportion of the contract work.

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.

Commission and Distribution Income. Revenues from the distribution of lottery, sweepstakes and scratch tickets to customers, including retailers and sub-distributors, representing the Company's share from the sales, are recognized upon delivery of the tickets to the customers. Revenue from the monthly fixed payment from Powerball Gaming and Entertainment Corporation (PGEC) is recognized monthly in accordance with the Outsourcing Memorandum of Agreement (OMOA).

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.

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 (presented under "Other revenue" account). 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.

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

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

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

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

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

<u>Leases</u>
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.

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.

<u>Borrowing Costs</u>
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, when the timing of the reversal of the temporary differences can be controlled and by the parent, venture or investor, respectively, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences 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)

Revenue, expenses and assets are recognized net of the amount of VAT except:

- when 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
- when receivables and payables that are stated with the amount of VAT included.

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 and services.

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 interest expense.

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 and estimates are continually evaluated and are based on experience and other factors, including expectations of future events that are to believe to be reasonable under the circumstances.

The Company believes that the following represents a summary of these significant judgments and estimates and assumptions and related impact and associated risks in its consolidated financial statements.

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. 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 amounted to ₱350.3 million and ₱120.5 million, respectively, in 2016, ₱354.8 million and ₱161.0 million, respectively, in 2015, and ₱299.2 million and ₱133.9 million, respectively, in 2014 (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 19 for the Company's most recent business combinations.

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, 2016 and 2015, 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 2016 and 2015 as a subsidiary with material non-controlling interests (see Note 2). The Company has no material associates in 2016 and 2015 (see Note 14).

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.

Finance Lease - as a Lessor. The Parent Company has entered into a lease agreement with MCE Leisure for City of Dreams Manila for the lease of a building. 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.

Interest income on finance lease in 2016, 2015 and 2014 amounted to ₱2,003.8 million, ₱1,917.4 million and ₱1,409.2 million, respectively. The outstanding balance of finance lease receivables as at December 31, 2016 and 2015 amounted to ₱17,645.6 million and ₱17,145.3 million, respectively (see Note 39).

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 ₱190.0 million, ₱190.9 million and ₱188.8 million in 2016, 2015 and 2014, respectively (see Note 39).

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. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life. Accordingly, the lease is accounted for as an operating lease.

Revenue from equipment rental amounted to ₱1,579.7 million in 2016, ₱1,459.2 million in 2015, and ₱828.7 million in 2014 (see Note 39).

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 ₱139.4 million and ₱128.4 million as at December 31, 2016 and 2015, respectively (see Note 39).

Operating Lease - as a Lessee. The Company, as a lessee, has entered into lease agreements for its office space, land, parking lots, machinery, office and transportation equipment. The 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 ₱56.7 million, ₱30.9 million, ₱11.7 million in 2016, 2015 and 2014, respectively (see Notes 35 and 39).

<u>Estimates and Assumptions</u>
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 45 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 as at December 31, 2016 and 2015 (see Note 15).

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.

Provision for doubtful accounts amounted to ₱13.8 million, ₱32.4 million and ₱5.5 million in 2016, 2015 and 2014, respectively (see Notes 11 and 37). Receivables, net of allowance for doubtful accounts, amounted to ₱1,881.8 million and ₱1,624.4 million as at December 31, 2016 and 2015, respectively. Allowance for doubtful accounts amounted to ₱280.1 million and ₱156.7 million as at December 31, 2016 and 2015, respectively (see Note 11).

Provision for doubtful accounts on advances to associates and impairment loss on advances to related parties amounted to ₱29.4 million in 2016, nil in 2015 and ₱0.04 million in 2014 (see Notes 14, 37 and 41). Advances to associates, net of allowance for doubtful accounts, amounted to ₱0.5 million and ₱29.8 million as at December 31, 2016 and 2015, respectively. Allowance for impairment amounted to ₱120.3 million and ₱145.3 million as at December 31, 2016 and 2015, respectively (see Notes 14 and 41).

Determination of NRV of Real Estate for Sale and Supplies Inventory. Real Estate for sale and supplies inventory are stated at lower of cost and NRV. The Company writes down the carrying value of real estate for sale 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.

There were no provision for writedown of inventories in 2016 and 2015. The carrying values of inventories carried are as follows:

	2016	2015
	(In Thousands)	
Real estate for sale and land held for future development (see Note 12)	**₱3,895,253**	₱3,861,589
Supplies inventory*(see Note 13)	**64,789**	31,547
Instant scratch ticket supplies*(see Note 13)	**67**	44,114

**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 2016, 2015 and 2014. However, as discussed in Note 42, 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 ₱2,026.9 million and ₱2,148.0 million as at December 31, 2016 and 2015, respectively (see Notes 15 and 42).

Estimation of Useful Life of Gaming License. The useful life of the Company's gaming license recognized as "Intangible asset" account in the consolidated statement of financial position is estimated based on the period over which the asset is expected to be available for use. The estimated useful life of intangible asset is reviewed periodically and updated if expectations differ from previous estimates. The gaming license runs concurrent with PAGCOR's congressional franchise which is set to expire in 2033, renewable for another 25 years by the Philippine Congress. The Company initially estimated the useful life of the license up to 2033 and has started the amortization of the intangible asset on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR. As part of the Company's annual review process, the Company, starting on April 1, 2016, changed the estimated useful life of the gaming license to consider the renewal period of another twenty-five (25) years of the PAGCOR's congressional franchise upon expiration in 2033 and to consider other industry developments. The extension of the life of the gaming license decreased the amortization expense by ₱125.8 million in 2016 and will decrease the annual amortization expense by ₱167.7 million in 2017 and onwards. The carrying value of the Company's gaming license amount to ₱4,812.7 million and ₱4,970.3 million as at December 31, 2016 and 2015, respectively (see Note 18).

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 19). 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 19 and 20). 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 19).

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 19).

Estimating 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 2016 and 2015. The carrying amount of goodwill amounted to ₱1,828.6 million as at December 31, 2016 and 2015 (see Notes 19 and 20).

Determination of Impairment of Nonfinancial Assets (Except Goodwill). 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, 2016 and 2015 are as follows:

	2016	2015
	(In Thousands)	
Investments in associates - net (see Note 14)	**₱123,351**	₱81,456
Investment properties (see Note 16)	**1,540,961**	1,540,961
Property and equipment (see Note 17)	**690,378**	770,716
Intangible asset (see Note 18)	**4,812,707**	4,970,341

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 ₱4,227.9 million and ₱4,465.8 million as at December 31, 2016 and 2015, respectively. Unrecognized deferred tax assets amounted to ₱1,060.3 million and ₱960.2 million as at December 31, 2016 and 2015, respectively (see Note 38).

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 ₱10.0 million and ₱10.7 million as at December 31, 2016 and 2015, respectively. Pension liability amounted to ₱12.6 million and ₱23.1 million as at December 31, 2016 and 2015, respectively (see Note 40).

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 40.

Evaluation of Legal Contingencies. The Company recognizes provision for possible claims when it is determined that an unfavorable outcome is probable and the amount of the claim can be reasonably estimated. The determination of reserves required, if any, is based on analysis of such individual issue, often with the assistance of outside legal counsel (see Note 43).

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 and cash equivalents, receivables, finance lease receivables, real estate for sale, land held for future development, 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:

	2016				
	Real Estate Development and Property Management	**Gaming and Gaming Related Activities**	**Others**	**Eliminations/ Adjustments**	**Consolidated**
			(In Thousands)		
Earnings Information					
Revenue	**₱3,388,084**	**₱3,603,233**	**₱–**	**(₱669,809)**	**₱6,321,508**
Costs and expenses	**(784,930)**	**(2,130,972)**	**(4,005)**	**221,136**	**(2,698,771)**
Interest expense	**(371,721)**	**(12,750)**	**(4,139)**	**32,831**	**(355,779)**
Interest income	**14,463**	**14,314**	**5**	**–**	**28,782**
Provision for income tax	**597,035**	**282,601**	**–**	**–**	**879,636**
Net profit for the year	**2,306,192**	**1,166,999**	**(8,075)**	**(368,993)**	**3,096,123**
Net profit attributable to equity holders of the parent	**2,306,192**	**968,750**	**(8,076)**	**(566,749)**	**2,700,117**
Other Information					
Investments in and advances to associates	**9,908,421**	**–**	**3,762,761**	**(13,593,279)**	**77,903**
Investments held for trading	**2,066,720**	**165,990**	**–**	**–**	**2,232,710**
Available-for-sale financial assets	**2,004,811**	**1,170,226**	**–**	**(1,148,093)**	**2,026,944**
Segment assets	**26,947,341**	**16,145,278**	**232,778**	**(6,097,996)**	**37,227,401**
Segment liabilities	**1,016,830**	**719,491**	**62**	**(170,136)**	**1,566,247**
Total consolidated assets	**40,927,293**	**17,481,494**	**3,995,540**	**(20,839,369)**	**41,564,958**
Total consolidated liabilities	**16,283,684**	**891,282**	**4,008,025**	**(7,361,815)**	**13,821,176**
Capital expenditures	**22,542**	**112,119**	**–**	**–**	**134,661**
Depreciation and amortization	**(35,094)**	**(496,032)**	**–**	**167,136**	**(363,990)**

	2015 (As restated - see Note 10)				
	Real Estate Development and Property Management	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Earnings Information					
Revenue	₱3,513,385	₱2,566,986	₱–	(₱728,694)	₱5,351,677
Costs and expenses	(711,840)	(1,911,451)	(119)	302,063	(2,321,347)
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	3,013,881	480,922	(87)	(1,722,935)	1,771,781
Net profit attributable to equity holders of the parent	3,013,794	242,868	(80)	(1,722,851)	1,533,731
Other Information					
Investments in and advances to associates	9,799,835	–	4,780,763	(14,515,234)	65,364
Investments held for trading	1,898,200	226,747	–	–	2,124,947
Available-for-sale financial assets	2,130,080	1,040,720	–	(1,022,797)	2,148,003
Advances to related parties	21,274	–	–	(7,072)	14,202
Segment assets	28,957,268	15,558,020	113,842	(6,244,616)	38,384,514
Segment liabilities	1,966,775	542,123	26,012	(618,888)	1,916,022
Total consolidated assets	42,806,657	16,825,487	4,894,605	(21,789,719)	42,737,030
Total consolidated liabilities	19,552,431	699,324	4,906,341	(8,157,568)	17,000,528
Capital expenditures	3,422,230	312,703	–	–	3,734,933
Depreciation and amortization	(34,240)	(680,961)	–	284,066	(431,135)

	2014 (As restated - see Note 10)				
	Real Estate Development and Property Management	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Earnings Information					
Revenue	₱2,488,029	₱1,091,938	₱1,350	(₱264,232)	₱3,317,085
Costs and expenses	(710,128)	(701,009)	(20,419)	142,021	(1,289,535)
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	1,122,222	129,743	–	(1,109,169)	142,796
Net profit for the year	7,068,125	1,863,661	7,297	(6,014,633)	2,924,450
Net profit attributable to equity holders of the parent	7,068,125	1,509,240	7,297	(6,014,633)	2,570,029
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	1,750,070	746,617	–	(483,802)	2,012,885
Available-for-sale financial assets	1,969,478	1,238,614	–	(1,223,713)	1,984,379
Advances to related parties	46,504	–	–	(19,577)	26,927
Segment assets	25,129,105	18,764,165	126,956	(7,600,721)	36,419,505
Segment liabilities	2,858,685	718,625	56,354	(750,469)	2,883,195
Total consolidated assets	38,895,163	22,305,952	4,127,719	(24,791,229)	40,537,605
Total consolidated liabilities	16,061,356	4,115,095	4,099,369	(10,475,501)	13,800,319
Capital expenditures	1,417,115	80,705	–	–	1,497,820
Depreciation and amortization	(25,130)	(127,064)	–	11,634	(140,560)

Revenues from a certain customer in the Company's real estate development business and gaming revenue share - net amounting to ₱3,836.9 million, ₱2,864.5 million and ₱1,636.7 million for the years ended December 31, 2016, 2015 and 2014, respectively, are solely collectible from MCE Leisure while revenues from the Company's gaming and other gaming-related activities amounting to ₱1,579.7 million, ₱1,459.2 million and ₱828.7 million for the year ended December 31, 2016, 2015 and 2014 are solely collectible from PCSO.

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

	2016	2015	2014
		(In Thousands)	
Revenues			
Total revenue for reportable segments	**₱6,991,317**	₱6,080,371	₱3,582,317
Elimination for intercompany revenue	**(669,809)**	(728,694)	(264,232)
Total consolidated revenues	**₱6,321,508**	₱5,351,677	₱3,318,085
Net Profit for the Year			
Total profit for reportable segments	**₱3,465,116**	₱3,494,716	₱8,939,083
Elimination for intercompany profits	**(368,993)**	(1,722,935)	(6,014,633)
Consolidated net profit	**₱3,096,123**	₱1,771,781	₱2,924,450
Assets			
Total assets for reportable segments	**₱37,227,401**	₱38,384,514	₱36,419,505
Investments in and advances to associates	**77,903**	65,364	93,909
AFS financial assets	**2,026,944**	2,148,003	1,984,379
Investments held for trading	**2,232,710**	2,124,947	2,012,885
Advances to related parties	**–**	14,202	26,927
Total consolidated assets	**₱41,564,958**	₱42,737,030	₱40,537,605
Liabilities			
Total liabilities for reportable segments	**₱1,566,247**	₱1,916,022	₱2,883,195
Loans payable	**2,000,017**	1,000,017	3,000,017
Long-term debt	**4,621,875**	4,984,375	1,750,000
Nontrade liability	**3,762,000**	5,295,058	4,241,256
Advances from related parties*	**105,474**	72,789	75,267
Deferred tax liabilities - net	**1,742,187**	1,175,431	815,556
Estimated liability on construction costs	**23,376**	2,556,836	1,035,028
Total consolidated liabilities	**₱13,821,176**	₱17,000,528	₱13,800,319

**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:

	2016	2015
	(In Thousands)	
Cash on hand and in banks	**₱1,686,133**	₱1,307,022
Cash equivalents	**1,267,129**	2,263,043
	₱2,953,262	₱3,570,065

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term investments which are made for varying periods of up 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 and cash equivalents amounted to ₱28.8 million, ₱33.2 million and ₱17.0 million in 2016, 2015 and 2014, respectively (see Note 36).

10. INVESTMENTS HELD FOR TRADING

This account consists of investments of the Parent Company in TMGCI, The Country Club at Tagaytay Highlands, Inc. (Country Club), Tagaytay Highlands International Golf Club, Inc. (Tagaytay Highlands), and investments of Pacific Online in shares of stock of Leisure and Resorts World Corporation (LRWC), Vantage Equities, Inc., DFNN, Inc., ISM Communications Corp. and Philippine Long Distance Telephone Company.

The movements in investments held for trading in 2016, 2015 and 2014 are as follows:

	2016	2015 (As restated)	2014 (As restated)
Balance at beginning of year, as previously presented	**₱226,747**	₱262,815	₱–
Reclassification	**1,898,200**	1,750,070	1,568,291
Balance at beginning of year, as restated	**2,124,947**	2,012,885	1,568,291
Assets of a subsidiary acquired through a business combination	**–**	–	376,454
Acquisitions	**19,712**	88,579	242,380
Disposals	**(60,503)**	(127,163)	(440,277)
Unrealized mark-to-market gain	**148,554**	150,646	266,037
Balance at end of year, as restated	**₱2,232,710**	₱2,124,947	₱2,012,885

In 2016, the Philippine Interpretations Committee (PIC) and Financial Reporting Standards Council (FRSC) issued PIC Q&A 2016-02: *PAS 32* and *PAS 38 - Accounting Treatment of Club Shares Held by an Entity*, which clarified the accounting for club shares, assuming that the entity's holding does not give it control, joint control or significant influence over the club.

Prior to this clarification, the Company accounted for its club shares as inventories. In accordance with PIC Q&A 2016-02, the Company reclassified its club shares from "Club shares - at cost" account with carrying value of ₱2,983.3 million, ₱2,995.6 million and ₱2,700.6 million as at December 31, 2016, December 31, 2015 and January 1, 2015, respectively, to "Investments held for trading" and "Available-for-sale financial assets" accounts, carried at fair value. This resulted to change in the recognition and measurement of the club shares from lower of cost or NRV to fair value. The December 31, 2015 and January 1, 2015 consolidated statements of financial position were restated to be consistent with the current year presentation. This resulted to an increase (decrease) in the following accounts:

	December 31, 2016	December 31, 2015	January 1, 2015
		(In Thousands)	
ASSETS			
Current Assets			
Investments held for trading	**₱2,066,720**	₱1,898,200	₱1,750,070
Receivables	**24,826**	24,826	–
Club shares - at cost	**(2,983,321)**	(2,995,593)	(2,700,551)
Total current assets	**(891,775)**	(1,072,567)	(950,481)
Noncurrent Assets			
Available-for-sale financial assets	**97,000**	106,700	97,000
TOTAL ASSETS	**(794,775)**	(965,867)	(853,481)
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other current liabilities	**(₱644,575)**	(₱670,313)	(₱169,213)
Noncurrent Liabilities			
Other noncurrent liabilities	**–**	31,743	–
Deferred tax liabilities	**9,327**	9,327	9,327
Total Noncurrent Liabilities	**9,327**	41,070	9,327
Total Liabilities	**(635,248)**	(629,243)	(159,886)
Equity			
Retained earnings	**(164,446)**	(351,243)	(698,514)
Unrealized gain on available-for-sale financial assets - net	**4,919**	14,619	4,919
Total Equity Attributable to Equity Holders of the Parent	**(159,527)**	(336,624)	(693,595)
TOTAL LIABILITIES AND EQUITY	**(₱794,775)**	(₱965,867)	(₱853,481)

Net income increased by ₱186.8 million, ₱347.3 million and ₱367.8 million in 2016, 2015 and 2014, respectively. Other comprehensive income increased (decreased) by (₱9.7 million), ₱9.7 million and nil in 2016, 2015 and 2014, respectively. Basic/diluted earnings per share increased by ₱0.018, ₱0.034 and ₱0.036 in 2016, 2015 and 2014, respectively.

The reclassification has no significant impact in the net cash flows from operating, investing and financing in 2016, 2015 and 2014.

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.

In 2016 and 2015, the Company sold certain investments held for trading for ₱74.0 million and ₱283.8 million, respectively.

11. RECEIVABLES

This account consists of:

	2016	2015 (As restated - Note 10
	(In Thousands)	
Trade receivables:		
Real estate sales	**₱784,866**	₱688,348
Equipment rental and instant scratch ticket sales	**446,523**	275,123
Leases (see Note 39)	**307,931**	357,053
Gaming revenue share receivable (see Note 28)	**235,868**	136,276
Property management	**156,285**	75,747
Accrued interest	**2,292**	5,151
Advances to third parties and others	**228,113**	243,414
	2,161,878	1,781,112
Less allowance for doubtful accounts	**280,124**	156,679
	₱1,881,754	₱1,624,433

- 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 60 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, 2016 and 2015, trade receivables from real estate with nominal amount of ₱841.4 million and ₱743.7 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 1.52 % to 10.64% and 1.29% to 9.44% in 2016 and 2015, respectively. The unamortized discount amounted to ₱56.6 million and ₱55.4 million as at December 31, 2016 and 2015, respectively. Amortization of discount on trade receivables from real estate, shown under "Other revenue" account in the consolidated statements of comprehensive income, amounted to ₱48.2 million, ₱56.8 million and ₱10.0 million in 2016, 2015 and 2014, respectively (see Note 29).

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

	2016	2015
	(In Thousands)	
Trade receivables at nominal amount	**₱841,440**	₱743,707
Less discount on trade receivables:		
Balance at beginning of year	**55,359**	56,597
Discount recognized during the year	**49,419**	55,530
Amortization during the year (see Note 29)	**(48,204)**	(56,768)
	56,574	55,359
Balance at end of year	**₱784,866**	₱688,348

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. In 2015, this outstanding balance has been fully collected. There were no assignments made on a with recourse basis with any bank in 2016 and 2015.

Movement in the allowance for doubtful accounts is as follows:

	2016		
	Trade	**Others**	**Total**
		(In Thousands)	
Balance at beginning of year	**₱38,973**	**₱117,706**	**₱156,679**
Provision (see Note 37)	**13,179**	**644**	**13,823**
Reclassification (see Notes 13 and 14)	**57,194**	**54,334**	**111,528**
Write-off	**(1,906)**	**–**	**(1,906)**
Balance at end of year	**₱107,440**	**₱172,684**	**₱280,124**

	2015		
	Trade	Others	Total
		(In Thousands)	
Balance at beginning of year	₱9,288	₱124,413	₱133,701
Provision (see Note 37)	32,437	–	32,437
Write-off	(2,752)	(6,707)	(9,459)
Balance at end of year	₱38,973	₱117,706	₱156,679

In 2016, the Company reclassified advances to associates and other receivables amounting to ₱54.3 million (see Note 14) and ₱57.2 million (see Note 13), respectively, from "Investments in and advances to associates" account and "Other current assets" account, respectively, to "Receivables" account. These advances were fully provided with allowance for doubtful accounts.

12. REAL ESTATE FOR SALE AND LAND HELD FOR FUTURE DEVELOPMENT

This account consists of:

	2016	2015
	(In Thousands)	
Land held for future development	**₱3,092,399**	₱3,018,515
Residential lots	**799,551**	839,771
Condominium units	**3,303**	3,303
	3,895,253	3,861,589
Real estate for sale – current	**(802,854)**	(843,074)
Real estate for sale – noncurrent	**₱3,092,399**	₱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 ₱447.4 million and ₱474.8 million as at December 31, 2016 and 2015, 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 ₱152.2 million and ₱131.0 million as at December 31, 2016 and 2015, respectively (see Note 22).

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

	2016	2015
	(In Thousands)	
Balance at beginning of year	**₱843,074**	₱935,530
Construction/development costs incurred	**80,297**	68,520
Disposals (recognized as cost of sales) (see Note 32)	**(120,517)**	(160,976)
Balance at end of year	**₱802,854**	₱843,074

A summary of the movement in land held for development in 2016 and 2015 is set out below:

	2016	2015
	(In Thousands)	
Balance at beginning of year	**₱3,018,515**	₱3,018,515
Land acquired during the year	**80,053**	–
Other adjustments/reclassifications	**(6,169)**	–
Balance at end of year	**₱3,092,399**	₱3,018,515

13. OTHER CURRENT ASSETS

This account consists of:

	2016	2015
	(In Thousands)	
Creditable withholding tax - net of allowance for probable loss of ₱4.3 million in 2016 and 2015	**₱492,816**	₱221,648
Input VAT - net of allowance for probable loss of ₱0.1 million in 2016 and ₱1.5 million in 2015	**363,836**	312,485
Prepaid expenses and others - net of allowance for probable loss of nil in 2016 and ₱57.2 million in 2015 (see Note 11)	**264,015**	243,501
Spare parts and supplies - net of allowance for decline in value of ₱3.8 million in 2016 and 2015	**64,789**	31,547
Advances to contractors and suppliers - net of allowance for doubtful accounts of ₱20.3 million in 2016 and 2015	**18,226**	1,454,751
Deposits	**7,224**	8,331
Instant scratch tickets supplies - at cost	**67**	44,114
Advances to officers and employees - net of allowance for doubtful accounts of ₱3.5 million in 2016 and 2015	**–**	7,242
	₱1,210,973	₱2,323,619

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

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.

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

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

14. INVESTMENTS IN AND ADVANCES TO ASSOCIATES - NET

This account consists of:

	2016	2015
	(In Thousands)	
Investments in associates - net of impairment in value of ₱354.2 million in 2016 and ₱404.0 million in 2015	**₱123,351**	₱81,456
Advances to associates - net of allowance for doubtful accounts of ₱120.3 million in 2016 and ₱145.3 million in 2015 (see Note 41)	**480**	29,836
Subscription payable - Lucky Star Gaming Corporation (Lucky Star)	**(45,928)**	(45,928)
	₱77,903	₱65,364

In April 2016, the Parent Company sold Woodland Development Corporation for a consideration of ₱9.6 million resulting to a gain amounting to ₱5.6 million (see Note 37).

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

		2016			2015		
		Percentage of Ownership			Percentage of Ownership		
Associates	Industry	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total
Belle Jai Alai Corporation (Belle Jai Alai)*	Gaming	**50.00**	**–**	**50.00**	50.00	–	50.00
Lucky Star*	Gaming	**49.00**	**–**	**49.00**	49.00	–	49.00
APC Group, Inc. (APC)	Mining	**46.64**	**2.21**	**48.85**	46.64	2.21	48.85
Woodland Development Corporation (WDC)	Real estate	**–**	**–**	**–**	47.00	–	47.00

**Non-operating*

The associates were all incorporated in the Philippines.

Movements of investments in associates consist of:

	2016	2015
	(In Thousands)	
Acquisition cost:		
Balance at beginning of year	**₱5,721,236**	₱5,721,236
Disposal	**(4,700)**	–
Balance at end of year	**5,716,536**	5,721,236
Accumulated equity in net losses:		
Balance at beginning of year	**(5,247,347)**	(5,218,287)
Disposal	**(3,379)**	–
Equity in net earnings for the year	**–**	27,340
Share in declared dividends	**–**	(56,400)
Balance at end of year	**(5,250,726)**	(5,247,347)
Accumulated share in unrealized gain on AFS financial assets of associates - Balance at beginning and end of year	**14,061**	14,061
Total	**479,871**	487,950
Allowance for impairment in value		
Balance at beginning of year	**(403,993)**	(404,248)
Disposal	**4,046**	–
Reversal of impairment in value (see Note 37)	**45,928**	255
Balance at end of year	**(354,019)**	(403,993)
Equity in cost of Parent Company common shares held by associates	**(2,501)**	(2,501)
	₱123,351	₱81,456

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

	2016		
	Carrying Values	**Advances**	**Subscription Payable**
		(In Thousands)	
Publicly listed -			
APC	**₱77,422**	**₱364**	**₱–**
Closely held -			
Others	**45,929**	**116**	**(45,928)**
	₱123,351	**₱480**	**(₱45,928)**

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

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

	2016	2015
	(In Thousands)	
Net loss	**(₱40,670)**	(₱18,312)
Other comprehensive income (loss)	**3,370**	(9,566)
Total comprehensive loss	**(37,300)**	(27,878)

Investment in APC

Fair values of investment in APC, which is publicly listed in the Philippine stock exchange, amounted to ₱1,680.0 million and ₱1,575.0 million as at December 31, 2016 and 2015, respectively. Fair values were determined by reference to quoted market price at the close of business as at reporting date.

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

	2016	2015
	(In Thousands)	
Balance at beginning of year	**₱145,273**	₱145,273
Reclassification to receivables (see Note 11)	**(54,334)**	–
Provision during the year (see Note 37)	**29,398**	–
Balance at end of year	**₱120,337**	₱145,273

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account consists of:

	2016	2015 (As restated - Note 10)	2014 (As restated - Note 10)
		(In Thousands)	
Shares of stock:			
Quoted	**₱1,923,725**	₱2,035,354	₱1,879,730
Unquoted	**839**	839	2,729
Club shares	**102,380**	111,810	101,920
	₱2,026,944	₱2,148,003	₱1,984,379

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:

	2016	2015 (As restated - Note 10)	2014 (As restated - Note 10)
		(In Thousands)	
Cost:			
Balance at beginning of year, as previously presented	**₱1,544,040**	₱1,813,982	₱3,574,829
Reclassification (see Note 10)	**92,081**	92,081	92,081
Balance at beginning of year, as restated	**1,636,121**	1,906,063	3,666,910
Disposal	**(422,760)**	(267,913)	–
Cancellation of share swap agreement (see Note 42)	**–**	–	(1,559,847)
Write-off	**–**	(2,029)	–
Reclassification and others	**–**	–	(201,000)
Balance at end of year	**1,213,361**	1,636,121	1,906,063
Unrealized gain (loss) on AFS financial assets:			
Balance at beginning of year, as previously presented	**520,618**	87,046	(190,785)
Reclassification (see Note 10)	**14,619**	4,919	4,919
Balance at beginning of year, as restated	**535,237**	91,965	(185,866)
Disposal	**(351,680)**	(90,342)	–
Increase in fair value during the year	**653,381**	533,614	277,831
Balance at end of year	**836,938**	535,237	91,965
Allowance for impairment in value:			
Balance at beginning of year	**23,355**	13,649	1,610,251
Cancellation of share swap agreement (see Note 42)	**–**	–	(1,559,847)
Write-off/others	**–**	9,706	(36,755)
Balance at end of year	**23,355**	23,355	13,649
	₱2,026,944	₱2,148,003	₱1,984,379

Dividend income realized from AFS investments amounted to ₱28.4 million, ₱23.2 million and ₱22.4 million in 2016, 2015 and 2014, respectively (see Note 29).

Gain from sale of AFS investments in 2016, 2015 and 2014 amounted to ₱351.7 million and ₱90.3 million and nil, respectively (see Note 37).

16. INVESTMENT PROPERTIES

As of December 31, 2016 and 2015, investment properties consist of land that is the subject of the operating lease agreement (see Note 39).

Movements in investment properties are as follows:

	2016	2015
	(In Thousands)	
Balance at beginning of year	**₱1,540,961**	₱4,432,277
Additions	**–**	3,368,676
Derecognized asset under finance lease (see Note 39)	**–**	(6,259,992)
Balance at end of year	**₱1,540,961**	₱1,540,961

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 39). Related estimated liability on construction costs amounted to ₱23.4 million and ₱2,556.8 million as at December 31, 2016 and 2015, respectively.

The carrying value of the investment properties approximates the aggregate fair value as of December 31, 2016 and 2015. 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.

17. PROPERTY AND EQUIPMENT

The rollforward analysis of this account follows:

	2016							
	Lottery Equipment	**Land and Leasehold Improvements**	**Machinery and Equipment**	**Condominium Units and Improvements**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Construction-in-progress**	**Total**
				(In Thousands)				
Cost								
Balance at beginning of year	**₱600,743**	**₱282,423**	**₱244,903**	**₱244,537**	**₱52,903**	**₱161,597**	**₱89,525**	**₱1,676,631**
Additions	**58,428**	**5,824**	**9,490**	**3,552**	**28,836**	**28,531**	**–**	**134,661**
Disposal	**(254,606)**	**–**	**–**	**–**	**(12,169)**	**(21,117)**	**(2,246)**	**(290,138)**
Balance at end of year	**404,565**	**288,247**	**254,393**	**248,089**	**69,570**	**169,011**	**87,279**	**1,521,154**
Accumulated Depreciation, Amortization and Impairment Loss								
Balance at beginning of year	**139,630**	**259,871**	**185,523**	**186,043**	**24,966**	**109,882**	**–**	**905,915**
Depreciation and amortization for the year (see Notes 30, 34 and 35)	**132,143**	**11,810**	**13,149**	**11,306**	**12,928**	**25,020**	**–**	**206,356**
Disposal	**(249,664)**	**–**	**–**	**–**	**(10,715)**	**(21,116)**	**–**	**(281,495)**
Balance at end of year	**22,109**	**271,681**	**198,672**	**197,349**	**27,179**	**113,786**	**–**	**830,776**
Net Book Value	**₱382,456**	**₱16,566**	**₱55,721**	**₱50,740**	**₱42,391**	**₱55,225**	**₱87,279**	**₱690,378**

	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
				(In Thousands)				
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, 34 and 35)	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

Allowance for impairment loss on property and equipment amounted to ₱186.3 million as at December 31, 2016 and 2015.

The cost of fully depreciated property and equipment which are still being used amounted to ₱453.5 million and ₱378.9 million as at December 31, 2016 and 2015, respectively. The Company has no idle assets as at December 31, 2016 and 2015.

18. INTANGIBLE ASSET

Intangible asset pertains to the provisional license granted by PAGCOR for which PLAI is a co-licensee to operate integrated resorts, including casinos. On April 29, 2015, PAGCOR granted the Regular Gaming License ("License"), which has the same terms and conditions of the provisional license. The License runs concurrent with PAGCOR's Congressional Franchise, set to expire in 2033, renewable for another 25 years by the Philippine Congress (see Note 42).

The amortization of the intangible asset started on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR.

As part of the Company's annual review process, the Company, starting on April 1, 2016, changed the estimated useful life of the intangible asset to consider the renewal period of another twenty-five (25) years of the PAGCOR's Congressional Franchise upon its expiration in 2033 and to consider other industry developments.

The movements in intangible asset are as follows:

	2016	2015
	(In Thousands)	
Cost		
Balance at beginning and end of year	**₱5,261,186**	₱5,261,186
Accumulated Amortization		
Balance at beginning of year	**290,845**	11,634
Amortization	**157,634**	279,211
Balance at end of year	**448,479**	290,845
	₱4,812,707	₱4,970,341

The unamortized life of the license as at December 31, 2016 is 41.5 years.

19. SIGNIFICANT ACQUISITIONS AND BUSINESS COMBINATIONS

Acquisition of Additional Interest in Pacific Online

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

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

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

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

The fair values of the identifiable assets and liabilities as at the date of the acquisition follow:

	Fair Values
	(In Thousands)
Cash and cash equivalents	₱153,993
Receivables	703,608
Investments held for trading	376,454
Other current assets	120,113
Property and equipment	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 20)	1,717,644
	3,055,984
Non-controlling interest measured at proportionate share of the fair value	(665,879)
	₱2,390,105

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

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

Acquisition of Falcon Resources Inc. ("FRI")

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

The fair values of the identifiable assets and liabilities as at the date of the acquisition follow:

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

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

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

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

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

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

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

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

The net cash outflow on the acquisition is as follows:

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

20. GOODWILL

Goodwill acquired from business combinations as at December 31, 2016 and 2015 consist of:

	Amount
	(In Thousands)
Acquisition of:	
Pacific Online (see Note 19)	₱1,717,644
FRI (see Note 19)	110,934
	₱1,828,578

The goodwill from the acquisition of Pacific Online and FRI have been subjected to the annual impairment review in 2016. The Company did not identify any impairment indicators relating to Pacific Online's and FRI's goodwill as at December 31, 2016 and 2015 as it expects to realize the synergies from the business combinations.

The recoverable amounts of the operations of Pacific Online and FRI have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management. The cash flow projections covers five years.

Management assessed that no reasonably possible change in pre-tax discount rates and future cash inflows would cause the carrying value of goodwill in 2016 and 2015 to materiality exceed its recoverable amount.

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 reflects management's estimate of the risks specific to the cash generating unit. The pre-tax discount rate of 7.78% and 7.56% was used in 2016 and 2015, respectively, based on the weighted average cost of capital of Pacific Online.

Terminal Values, Long-term Growth Rate and Revenue Growth Rate. Terminal values included in the value in use computations as at December 31, 2016 and 2015 amounted to at least ₱7,753.0 million. The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts is 5% and 0% in 2016 and 2015, respectively. The long-term growth rate used in the normalization of free cash flows represents the expected growth rate of the economy in 2021 and onwards, with reference to growth rates compiled by industry analysts. An increase in revenue ranging from 7% to 10% per annum until 2020 was applied based on historical performance of Pacific Online.

FRI

In 2014, the Company obtained an independent valuation of FRI's goodwill. The recoverable amount of goodwill from the acquisition of FRI by TGTI was determined based on value-in-use calculations using actual past results and observable market data such as growth rates, operating margins, among others. As part of the impairment testing of goodwill from acquisition of FRI, POSC reviewed the valuation performed in 2015 and 2014 and assessed if the circumstances are still applicable for 2016. Based on the review performed, POSC is not currently aware of probable changes that would necessitate change in its key estimates and assumption from 2014 and 2015.

The recoverable amount of goodwill from the acquisition of FRI is based on value-in-use calculations, covering a 5-year period, based on actual results of the past and using observable market data.

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 Company expected cash flows are discounted by applying a suitable weighted average cost of capital (WACC). The discount rate applied to after tax cash flow projections and the terminal growth rates are 11.5 % and 5.2%, respectively.

Management believes that no reasonably possible change in the key assumptions would cause the carrying amount of the goodwill and cash generating unit to which goodwill relates to materially exceed its recoverable amount.

21. OTHER NONCURRENT ASSETS

This account consists of:

	2016	2015
	(In Thousands)	
Deferred input VAT	**₱673,461**	₱637,997
Guarantee bonds (see Note 42)	**35,000**	45,000
Refundable deposits and construction bond (see Note 39)	**19,755**	18,236
Others	**15,074**	8,934
	₱743,290	₱710,167

22. TRADE AND OTHER CURRENT LIABILITIES

This account consists of:

	2016	2015 (As restated - Note10)	2014 (As restated - Note10)
		(In Thousands)	
Trade	**₱320,209**	₱754,054	₱1,719,837
Accrued expenses:			
Selling	**6,120**	46,472	68,806
Land transfer fees	**5,217**	68,743	57,132
Professional and management fees	**895**	53,239	51,499
Others	**308,852**	195,286	185,716
Payables pertaining to land acquisitions (see Note 12)	**152,165**	131,024	166,074
Consultancy, software and license and management fees payable	**119,537**	37,484	17,088
Advances from related parties (see Note 41)	**105,474**	72,788	75,267
Customers' deposits	**62,220**	50,591	22,473
Refundable deposit and others	**173,376**	120,010	220,683
	₱1,254,065	₱1,529,691	₱2,584,575

- Trade payables are non-interest bearing with an average term of 90 days.
- Accrued expenses and other expenses pertain to accruals for land transfer fees, professional and management fees, selling, interest, salaries, communication, rent and utilities, provisions and other expenses which are normally settled with an average term of 30 to 90 days. The Company regularly provides for its usual potential liabilities.
- 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.
- Refer to Note 42 for the terms of the consultancy, software and license fees and management fees payable.

23. LOANS PAYABLE

Loans payable represents peso-denominated loans obtained from local banks with interest of 4.2% to 4.3% in 2016 and 4.3% in 2015. Loans payable have historically been renewed or rolled-over.

The Parent Company availed unsecured loans amounting to ₱2,000.0 million. The carrying amount of outstanding loans payable amounted to ₱2,000.0 million and ₱1,000.0 million as at December 31, 2016 and 2015, respectively.

Interest expense on loans payable charged to operations amounted to ₱51.2 million, ₱39.5 million and ₱75.1 million in 2016, 2015 and 2014 respectively (see Note 36).

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 2016 and 2015 (see Note 16).

24. OTHER NONCURRENT LIABILITIES

This account consists of the following:

	2016	2015 (As restated - see Note 10)
	(In Thousands)	
Deferred income	**₱123,051**	₱130,525
Refundable deposits	**110,813**	105,446
Others	**–**	31,743
	₱233,864	₱267,714

Deferred income represents unamortized discount on refundable deposits related to lease transactions.

25. LONG-TERM DEBT

This account consists of the following:

	2016	2015
	(In Thousands)	
Loans	**₱4,621,875**	₱4,984,375
Current portion of long-term debt	**(862,500)**	(362,500)
Noncurrent long-term debt	**₱3,759,375**	₱4,621,875

Maybank Philippines, Inc. (Maybank)
On June 30, 2014, Belle obtained an unsecured five-year term loan from Maybank in the amount of ₱1,000.0 million for the purpose of financing the construction of Phase 1 City of Dreams Manila. The five-year term loan shall be availed within one year from the signing of the loan agreement and bears an interest floater rate based on applicable 90-days Philippine Dealing System Treasury Reference Rate-Fixing ("PDST-F") plus spread and fixed rate based on 5-year PDST-F plus spread. During the term of the loan, Belle agrees not to sell, lease, dispose any of its assets on the City of Dreams Manila without prior written consent from Maybank and comply with the following financial covenants: current ratio of 1.0x and debt to equity ratio of 2.0x. Amount of ₱750.0 million was drawn from the facility on December 11, 2015. Amounts of ₱150.0 million and ₱100.0 million were drawn from the facility on August 26, 2014 and September 22, 2014, respectively. Outstanding balance of the loan as at December 31, 2016 and 2015 amounted to ₱721.9 million and ₱984.4 million, respectively.

Rizal Commercial Banking Corporation (RCBC)
On June 9, 2014, Belle obtained an unsecured five-year term loan, reckoned from the date of the initial drawdown, from RCBC in the amount of ₱1,500.0 million for the purpose of financing the construction of real estate developments projects in Tagaytay Highlands and Tagaytay Midlands area and conversion and titling costs of raw lands. The five-year term loan bears a floor rate interest 5.5% plus spread. During the term of the loan, Belle should comply with the following financial covenants: minimum current ratio of 1.3x and maximum debt to equity ratio of 2.0x. Amounts of ₱400.0 million, ₱200.0 million and ₱900.0 million were drawn on July 9, 2014, September 30, 2014 and November 12, 2014, respectively. Outstanding balance of the loan as at December 31, 2016 and 2015 amounted to ₱1,400.0 million and ₱1,500.0 million, respectively.

United Coconut Planters Bank (UCPB)
On February 11, 2015, Belle obtained an unsecured four-year term loan from UCPB in the amount of ₱1,000.0 million for the purpose of financing the construction of City of Dreams Manila. The term loan bears a fixed rate of 6.25% per annum. During the term of the loan, Belle agrees not to make investments in, or enter into any other business substantially different from the business in which the Belle is presently engaged, or make capital investments in excess of two percent (2%) of the consolidated stockholder's equity as at end of the last fiscal year, except for the total capital expenditures for City of Dreams project in the amount not exceeding ₱4,000.0 million, and those allocated for the real estate development projects. Amounts of ₱500.0 million and ₱500.0 million were drawn on February 23, 2015 and December 29, 2015, respectively. Outstanding balance of the loan as at December 31, 2016 and 2015 amounted to ₱1,000.0 million.

EastWest Bank (EWB)
On January 30, 2015, Belle obtained an unsecured five-year term loan from EWB in the amount of ₱1,500.0 million for the purpose of financing its capital expenditures. The term loan bears a fixed rate of 5.75% per annum. During the term of the loan, Belle should comply with the following financial covenants: minimum current ratio of 1.0x and maximum debt to equity ratio of 3.0x. On January 30, 2015, ₱1,500.0 million was drawn from the facility. Outstanding balance of the loan as at December 31, 2016 and 2015 amounted to ₱1,500.0 million.

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, 2016 and 2015, 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:

	2016	2015
	(In Thousands)	
2016	**₱–**	₱362,500
2017	**862,500**	885,096
2018	**945,833**	933,013
2019	**1,980,208**	1,973,638
2020	**833,334**	830,128
	₱4,621,875	₱4,984,375

Interest expense on the loans from long-term debt amounted to ₱287.7 million, ₱218.5 million and ₱8.8 million in 2016, 2015 and 2014, respectively (see Note 36). Interest expense on loans capitalized as part of "Investment properties" account amounted to ₱30.5 million in 2014.

26. NONTRADE LIABILITY

On May 20, 2013, Belle, PLAI, BGRHC, AB Leisure Global, Inc. (ABLGI) and LRWC (the Parties) entered into a Memorandum of Agreement (MOA), 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 of 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.

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 term of the liability using the EIR method.

The interest component of the ABLGI advance amounting to ₱455.2 million, ₱651.7 million and ₱533.3 million were recognized as "Accretion of nontrade liability" in the consolidated statements of comprehensive income in 2016, 2015 and 2014, respectively. Payments made to ABLGI amounted to ₱335.5 million, ₱377.9 million and ₱292.1 million in 2016, 2015 and 2014, respectively.

On November 3, 2016, the Parties executed a Termination Agreement, whereby the Parties have agreed to terminate and dissolve the MOA and implementing agreement effective March 31, 2017. Under the Termination Agreement, the Parent Company will pay ABLGI a sum of ₱4,780.0 million to terminate the obligation stated under the MOA. Of the total consideration, ₱1,018.0 million was paid upon execution of the Termination Agreement and the balance will be paid simultaneously upon effectivity of the Termination Agreement. Unless and until full payment of the remaining obligation, LRWC/ABLGI shall continue to be entitled to its rights under the MOA. The new terms of the Termination Agreement warrant derecognition of the old liability and recognition of a new one since there is a substantial modification on the agreement. This termination resulted to a gain amounting to ₱634.8 million presented as part of "Other income" in the consolidated statements of comprehensive income (see Note 37).

The carrying value of nontrade liability amounted to ₱3,762.0 million and ₱5,295.1 million as at December 31, 2016 and 2015, respectively.

27. EQUITY

Preferred Stock
As at December 31, 2016 and 2015, the Company has not issued any preferred stock out of the authorized 6,000,000,000 shares with a ₱1 par value. Under the provisions of the Company's articles of incorporation, the rights and features of the preferred stock shall be determined through a resolution of the BOD prior to issuance.

Common Stock
As at December 31, 2016 and 2015, the authorized common stock of the Company is 14,000,000,000 shares with a ₱1 par value. The movement in outstanding common stock at the beginning and end of year is as follows:

	Number of Shares		
	Issued	Treasury	Outstanding
Balance, as at December 31, 2014	10,559,382,799	–	10,559,382,799
Issuance (acquisition) during the year	1,617,058	(42,146,000)	(40,528,942)
Balance, as at December 31, 2015	10,560,999,857	(42,146,000)	10,518,853,857
Issuance (acquisition) during the year	–	(20,174,000)	(20,174,000)
Balance, as at December 31, 2016	10,560,999,857	(62,320,000)	10,498,679,857

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
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 14.0 billion common shares, both at ₱1.00 par value.

The Parent Company declared stock dividends in 1991 and 1995.

Treasury Shares
During 2016 and 2015, the Parent Company has repurchased a total of 20,174,000 and 42,146,000 Parent Company common shares at a total cost amounting to ₱46.7 million and ₱134.4 million, respectively. The total number of treasury shares held as at 2016 and 2015 total to 62,320,000 shares and 42,146,000 shares, respectively, with cost amounting to ₱181.2 million and ₱134.4 million, respectively.

Cost of Parent Company Shares Held by Subsidiaries
As at December 31, 2016 and 2015, Parallax, SLW, PLC, Pacific Online collectively hold Parent Company common shares totaling 357,108,183 and 353,271,183, respectively, with cost of ₱1,758.3 million and ₱1,749.6 million, respectively. These are presented as "Cost of Parent Company common shares held by subsidiaries" account 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 ₱4,242.0 million and ₱3,544.4 million as at December 31, 2016 and 2015, 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.

Dividends
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 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 February 29, 2016, the Parent Company's BOD approved the declaration of cash dividends of Nine-and-a-Half Centavos (₱0.095) per share, totaling ₱1,003.3 million. The record date to determine the shareholders entitled to receive the cash dividends was set to March 14, 2016 with the payment made on March 29, 2016.

28. GAMING REVENUE SHARE - NET

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:

	2016	2015	2014
		(In Thousands)	
Gaming revenue share - gross	**₱2,171,573**	₱1,008,317	₱45,674
Less PAGCOR license fee paid by MELCO	**(528,597)**	(252,079)	(6,865)
Gaming revenue share - net	**₱1,642,976**	₱756,238	₱38,809

29. OTHER REVENUE

This account consists of:

	2016	2015 (As restated - Note 10)	2014 (As restated - Note 10)
		(In Thousands)	
Amortization of discount on trade receivables (see Note 11)	**₱48,204**	₱56,768	₱9,954
Dividend income (see Note 15)	**28,371**	23,209	22,443
Income from forfeitures	**13,750**	60,712	39,978
Gain on sale of club shares	**13,533**	149,197	154,297
Income from playing rights	**4,295**	6,620	2,143
Penalty	**2,624**	2,593	2,398
Others	**8,353**	2,306	3,230
	₱119,130	₱301,405	₱234,443

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.

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:

	2016	2015	2014
		(In Thousands)	
Software and license fees (see Note 42)	**₱186,644**	₱172,672	₱81,654
Operating supplies	**183,151**	159,728	67,391
Depreciation and amortization (see Note 17)	**138,892**	94,641	73,068
Consultancy fees (see Note 42)	**122,801**	124,533	74,674
Online lottery system expenses	**122,173**	117,466	67,596
Communication fees	**119,491**	87,195	51,376
Personnel costs	**48,684**	44,322	17,462
Others	**9,427**	26,475	59,767
	₱931,263	₱827,032	₱492,988

31. COST OF GAMING OPERATIONS

This account consists of:

	2016	2015	2014
		(In Thousands)	
Consultancy fees (Note 42)	**₱221,814**	₱76,003	₱7,075
Amortization of intangible asset (Note 18)	**157,634**	279,211	11,634
Marketing expenses	**20,160**	11,760	–
Payroll-related expenses	**11,073**	9,811	–
Representation and entertainment	**3,030**	2,628	–
Transportation and travel	**2,796**	2,610	–
	₱416,507	₱382,023	₱18,709

32. COST OF REAL ESTATE SOLD

This account consists of:

	2016	2015	2014
		(In Thousands)	
Materials and labor	**₱76,661**	₱100,466	₱80,057
Land	**28,535**	37,396	29,799
Overhead and others	**15,321**	23,114	24,021
	₱120,517	₱160,976	₱133,877

33. COST OF LEASE INCOME

This account consists of:

	2016	2015	2014
		(In Thousands)	
Taxes and listing fees	**₱136,987**	₱74,771	₱11,293
Rental (see Note 39)	**46,403**	30,968	–
Insurance	**26,001**	46,845	75
	₱209,391	₱152,584	₱11,368

34. COST OF SERVICES FOR PROPERTY MANAGEMENT

This account consists of:

	2016	2015	2014
		(In Thousands)	
Water services	**₱60,829**	₱51,224	₱61,328
Power and maintenance	**2,984**	28,984	26,724
	₱63,813	₱80,208	₱88,052

The cost of services for property management includes depreciation and amortization amounting to ₱13.0 million, ₱11.7 million and ₱8.3 million in 2016, 2015 in 2014, respectively (see Note 17).

35. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of:

	2016	2015	2014
		(In Thousands)	
Personnel costs (see Note 40)	**₱198,280**	₱196,151	₱124,126
Management and professional fees (Notes 41 and 42)	**93,054**	46,575	38,204
Transportation and travel	**67,089**	78,610	32,930
Taxes and licenses	**63,476**	67,530	98,071
Depreciation and amortization (see Note 17)	**54,511**	45,589	47,575
Rentals and utilities (see Notes 39 and 41)	**54,360**	61,575	36,050
Representation and entertainment	**50,970**	49,837	25,017
ABLGI compensation fee	**44,881**	–	–
Security, janitorial and service fees	**43,425**	27,320	16,801
Registration fees	**24,529**	9,615	4,224
Marketing and advertising (see Note 41)	**22,579**	38,179	39,055
Communication	**18,466**	20,936	14,243
Repairs and maintenance	**16,418**	18,017	12,696
Selling expenses	**15,336**	20,042	19,741
Insurance	**3,274**	4,585	1,729
Others	**186,632**	33,963	34,079
	₱957,280	₱718,524	₱544,541

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

Personnel Costs

	2016	2015	2014
		(In Thousands)	
Salaries and wages	**₱178,608**	₱157,088	₱99,983
Pension costs (see Note 40)	**15,743**	20,241	8,913
Employee benefits and others	**3,929**	18,822	15,230
	₱198,280	₱196,151	₱124,126

36. INTEREST INCOME AND INTEREST EXPENSE

The sources of the Company's interest income follow:

	2016	2015	2014
		(In Thousands)	
Cash in banks (see Note 9)	**₱28,782**	₱33,210	₱17,035
HTM investments (see Note 41)	**–**	–	12,944
Others	**–**	1,260	–
	₱28,782	₱34,470	₱29,979

The sources of the Company's interest expense follow:

	2016	2015	2014
		(In Thousands)	
Long-term debt (see Note 25)	**₱287,667**	₱218,493	₱8,841
Loans payable (see Note 23)	**51,224**	39,549	75,078
Finance lease obligation	**12,749**	10,883	8,923
Assignment of receivables	**–**	774	2,725
Others	**4,139**	4,278	3,156
	₱355,779	₱273,977	₱98,723

37. OTHER INCOME (CHARGES)

This account consists of:

	2016	2015	2014
		(In Thousands)	
Gain on termination of ABLGI advances (see Note 26)	**₱634,800**	₱–	₱–
Gain on sale of			
Available-for-sale investments (see Note 15)	**351,680**	90,342	–
Investment in associates (see Note 14)	**5,603**	–	–
Property and equipment (see Note 17)	**30**	(397)	451
Investments held for trading (Note 10)	**–**	7,439	22,296
Other assets (see Note 13)	**–**	1,850	–
Held-to-maturity investments	**–**	–	31,353
Reversal of impairment on investment in associates (see Note 14)	**45,928**	255	–
Reversal of (provision for) allowance:			
Doubtful accounts on advances to associates (see Note 14)	**(29,398)**	–	(40)
Doubtful accounts on trade and other receivables - net (see Note 11)	**(13,823)**	(32,437)	(5,492)
Probable loss on other assets - net (see Note 13)	**–**	34,951	(9,034)
Bank service charges	**(27,756)**	(42,388)	(29,292)
Excess input VAT	**10,084**	23,631	10,997
Recycling of share in cumulative translation adjustments of AFS financial asset (see Note 42)	**–**	–	(58,319)
Proceeds from insurance claims	**–**	–	20,684
Gain from cancellation of Swap Agreement (Note 42)	**–**	–	1,219,133
Gain on significant acquisitions - net (Note 19)	**–**	–	876,348
Others – net	**4,480**	4,609	(63)
	₱981,628	₱87,855	₱2,079,022

38. INCOME TAXES

The provision for current income tax consists of the following:

	2016	2015	2014
		(In Thousands)	
RCIT	**₱253,673**	₱284,785	₱134,470
MCIT	**29,788**	21,511	18,586
Capital gains tax (CGT)	**–**	–	26,887
	₱283,461	₱306,296	₱179,943

As at December 31, 2016, 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, 2016, the Parent Company can claim the carryforward benefits of excess MCIT over RCIT amounting to ₱29.8 million, ₱21.5 million and ₱18.6 incurred in 2016, 2015, and 2014 respectively, as deduction against future taxable income until 2019, 2018 and 2017, respectively. The carryforward benefit of NOLCO as at December 31, 2012 amounting to ₱97.7 million was claimed by the Parent Company as tax credit against regular income tax in 2016.

As at December 31, 2016, PLC can claim the carryforward benefits of NOLCO amounting to ₱8.5 million in 2016 and ₱0.1 million in 2015 and 2014, as deduction against future taxable income until 2019, 2018 and 2017, respectively. As at December 31, 2015, PLC can claim the carryforward benefit of excess MCIT over RCIT amounting to ₱0.7 million and ₱0.6 million incurred in 2016 and 2015, respectively, against future taxable income until 2019 and 2018, respectively.

PLAI elected to use Optional Standard Deduction in computing its taxable income for first half of 2016, 2015 and 2014.

As at December 31, 2015, LotoPac can claim the carryforward benefits of NOLCO amounting to ₱0.1 million in 2016 and 2015 and ₱0.2 million in 2014 as deduction against future taxable income until 2019, 2018 and 2017, respectively.

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

	2016	2015
	(In Thousands)	
Accrued expenses	**₱2,915**	₱32,011
Unamortized past service costs	**6,380**	5,332
Pension liability	**900**	1,420
Allowance for impairment losses on trade and other receivables	**3,242**	3,242
Unrealized foreign exchange loss	**1,139**	256
	₱14,576	₱42,261

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

	2016	2015 (As restated - see Note 10)
	(In Thousands)	
Deferred tax assets:		
Construction cost	**₱3,935,415**	₱3,211,999
NOLCO	**130,151**	159,473
MCIT	**69,229**	40,097
Deferred lease income	**36,915**	39,157
Discount on trade receivables	**16,756**	16,608
Estimated liability on construction costs	**7,013**	767,051
Doubtful accounts	**7,140**	7,140
Pension liability	**4,375**	1,332
Unamortized past service costs	**3,298**	1,324
Accrued selling expenses	**1,836**	13,942
Accretion of refundable deposits	**939**	997
Accrued rent	**249**	576
Nontrade liability	**–**	154,517
	₱4,213,316	₱4,414,213
Deferred tax liabilities:		
Finance lease receivable	**(₱5,293,686)**	(₱5,143,576)
Accumulated depreciation	**(401,121)**	(205,480)
Unrealized gain on sale of real estate	**(102,997)**	(87,656)
Accrued rent	**(92,252)**	(71,099)
Unaccreted discount on refundable deposits	**(39,726)**	(41,204)
Capitalized rent expense	**(24,066)**	(25,501)
Deferred lease expense	**(793)**	(869)
Deferred income on real estate sales	**(798)**	(797)
Unrealized foreign exchange gain - net	**(64)**	(13,462)
	(5,955,503)	(5,589,644)
Net deferred tax liability	**(₱1,742,187)**	(₱1,175,431)

The components of the Company's temporary differences as at December 31, 2016 and 2015 for which deferred tax assets were not recognized follows:

	2016	2015
	(In Thousands)	
Allowances for:		
Impairment of project development costs	**₱2,136,820**	₱2,136,820
Unrealized mark-to-market loss on club shares held for trading	**886,451**	–
Doubtful accounts	**739,191**	607,527
Impairment losses	**569,463**	619,437
Probable losses	**33,309**	95,852
NOLCO	**8,661**	25,273
Excess MCIT over RCIT	**1,257**	601
	₱4,375,152	₱3,485,510

The deferred tax assets of the above temporary differences amounting to ₱1,060.3 million and ₱960.2 million as at December 31, 2016 and 2015, 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 39).

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:

	2016	2015	2014
		(In Thousands)	
Income tax at statutory income tax rate of 30%	**₱1,303,210**	₱628,153	₱807,043
Income tax effects of:			
Nontaxable income	**(764,042)**	(21,990)	(744,753)
Change in unrecognized deferred tax assets	**197,131**	(8,543)	10,933
Nondeductible expenses and others	**182,941**	49,319	41,030
Mark-to-market loss (gain) on securities	**(55,707)**	13,039	(9,912)
MCIT	**29,131**	21,511	18,586
Income subjected to final tax	**(8,614)**	(12,155)	(7,018)
Income subjected to capital gains tax	**(4,455)**	–	26,887
Expired NOLCO	**41**	–	–
	₱879,636	₱669,334	₱142,796

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 February 28, 2017, 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.

39. LEASE COMMITMENTS

Company as a Lessor

Finance Lease
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.

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, 2016 and 2015, the nominal amount of minimum lease payments and the carrying value of finance lease receivable are as follows:

	2016	2015
	(In Thousands)	
Within one year	**₱1,632,282**	₱1,503,473
In more than one year and not more than five years	**8,292,016**	7,543,652
In more than five years	**35,530,357**	37,910,938
	45,454,655	46,958,063
Unearned finance income	**(27,809,034)**	(29,812,809)
Net investment (present value of the minimum lease payments)	**17,645,621**	17,145,254
Current portion of receivables under finance lease	**1,541,035**	1,419,651
Noncurrent portion of receivables under finance lease	**₱16,104,586**	₱15,725,603

Interest income on finance lease amounted to ₱2,003.8 million, ₱1,917.4 million and ₱1,409.2 million in 2016, 2015 and 2014, respectively.

Operating Lease
Lease Agreement with MCE Leisure. The Parent Company recognized lease income on the lease of land by MCE Leisure amounting to ₱190.0 million in 2016, ₱190.9 million in 2015, and ₱188.8 million in 2014.

As at December 31, 2016 and 2015, the minimum lease payments to be received by the Parent Company on the lease on the land are as follows:

	2016	2015
	(In Thousands)	
Within one year	**₱123,267**	₱112,056
In more than one year and not more than five years	**629,286**	572,080
In more than five years	**2,582,544**	2,763,017
	₱3,335,097	₱3,447,153

The Company carried receivables relating to these leases of ₱307.9 million and ₱357.1 million under the "Receivables - net" account in the consolidated statements of financial position as at December 31, 2016 and 2015, 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 online lotto equipment and accessories for a period of 3 years until July 31, 2018 as provided in the 2015 Amended Equipment Lease Agreement (ELA). Rental payments is based on a 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 recognized in the consolidated statement of income amounted to ₱931.8 million and ₱937.1 million in 2016 and 2015, respectively. Future minimum rental income as at December 31 for the remaining lease term is as follows:

	2016	2015
Within one year	**₱145,495**	₱143,080
After one year but not more than five years	**84,872**	226,543
	₱230,367	₱369,623

TGTI leases to PCSO online KENO equipment and accessories for a period of 10 years from the time the ELA will run in commercial operations. Rental payment by PCSO is based on certain percentage of gross amount of Online KENO games from the operation of all PCSO’s terminal or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. Rental income recognized in the consolidated statement of income amounted to ₱647.9 million and ₱522.2 million in 2016 and 2015, respectively. Future minimum rental income for the remaining lease terms is as follows:

	2016	2015
Within one year	**₱80,800**	₱70,800
After one year but not more than five years	**222,200**	189,900
	₱303,000	₱260,700

Company as a Lessee

Finance Lease

Lottery Equipment. The contracts for the supply of online lottery system entered into by Pacific Online with Scientific Games and Intralot and by TGTI with Intralot contain a lease which is accounted for as finance lease. These related equipment are included as part of “Lottery equipment” under “Property and equipment” account with carrying amount of ₱139.4 million and ₱128.4 million as at December 31, 2016 and 2015, respectively.

The additions amounted to ₱58.4 million and ₱31.6 million in 2016 and 2015, respectively.

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

	2016	2015
	(In Thousands)	
Within one year	**₱58,313**	₱27,056
After one year but not more than five years	**80,958**	89,068
More than five years	**–**	12,766
Total future minimum lease payments	**139,271**	128,890
Less amount representing interest	**19,929**	10,335
Present value of lease payments	**119,342**	118,555
Less current portion of obligations under finance lease	**47,698**	25,028
Noncurrent portion of obligations under finance lease	**₱71,644**	₱93,527

The contracts of Pacific Online remain effective until July 31, 2018, 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 on 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 amounting 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 TGTI with Intralot commenced upon the commercial operation of 200 outlets and remains effective for 10 years until September 30, 2020. Payment to Intralot is based on a pre-agreed percentage of the revenue generated by the terminals from PCSO’s conduct of online lottery games running on the System.

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

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

Future minimum lease payments within one year	₱181,489
Less amount representing interest	8,642
Current portion of installment payable	₱172,847

Operating Lease

a. Pacific Online leases certain office spaces for periods of one to three years up to 2016. The lease agreements provide for minimum rental commitments with annual rental escalation rate of 5%. Rent expense recognized in the consolidated statement of income amounted to ₱11.0 million and ₱6.2 million in 2016 and 2015, respectively.

b. LotoPac and LCC lease certain properties that are renewed annually at the option of both companies. Rent expense recognized in the consolidated statements of comprehensive income amounted to₱29.2 million and ₱11.4 million in 2016 and 2015, respectively.

c. TGTI entered into lease contracts with the following: (1) Keewswen Development Corp. for the lease of its office space for a period of five years commencing on February 1, 2011 and expiring on January 31, 2016, (2) MBH Trading & Manufacturing Corporation for the lease of its warehouse for a period of seven years commencing on August 1, 2010 and expiring on July 31, 2017, and (3) Geroge W.G Angel for a parking space for a period of one year, renewable upon mutual consent of the parties. Rent expense recognized in the consolidated statement of income amounted to ₱6.0 million and ₱1.6 million in 2016 and 2015, respectively.

The above operating leases have no restrictions and contingent rentals.

Future minimum rental expense for the remaining lease terms are as follows:

	2016	2015
Within one year	**₱14,264**	₱14,473
After one year but not more than five years	**10,751**	7,977
	₱25,015	₱22,450

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 - refundable deposits and construction bond" in the consolidated statements of financial position (see Note 21). 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, the operating lease cost amounting to ₱29.1 million was capitalized to leasehold improvements as the Company has started construction of the integrated resort.

The Parent Company and Belle Bay City, through its Board of Liquidators, entered into a Memorandum of Agreement granting the Parent Company an absolute and exclusive right to build and use "air rights" a bridge way over a particular lot owned by Belle Bay City. The agreement shall be a period of 50 years or upon termination of the Parent Company's business operation on the bridge way whichever comes earlier. The air rights shall be used to connect City of Dreams Manila Phase 1 and Phase 2. Rental payments are subject to escalation as stated in the agreement. Total rent expense charged to operations relating to this transaction amounted to ₱13.3 million in 2016, and nil in 2015 and 2014 (see Note 33). The Parent Company also paid ₱1.1 million refundable deposit which formed part of "Other noncurrent assets - refundable deposits and construction bond" (see Note 21).

The Company also has several operating lease arrangements on parking lots, machineries, office space and transportation equipment. Total rent expense charged to operations relating to these lease agreements amounted to ₱10.5 million in 2016 and ₱1.2 million in 2015 and 2014 (see Note 35).

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

	2016	2015
	(In Thousands)	
Within one year	**₱41,738**	₱44,486
After one year but not more than five years	**157,705**	157,086
After more than five years	**814,891**	857,248
	₱1,014,334	₱1,058,820

40. 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, 2016.

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")

	2016	2015	2014
		(In Thousands)	
Current service cost	**₱15,733**	₱19,566	₱11,114
Interest cost on defined benefit obligation	**7,405**	7,151	3,279
Interest income on plan assets	**(7,395)**	(6,480)	(5,535)
Interest on the effect of asset ceiling	**–**	4	55
	₱15,743	₱20,241	₱8,913

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

	2016	2015	2014
		(In Thousands)	
Remeasurement (gain) loss on defined benefit obligation	**₱2,693**	(₱15,365)	₱24,343
Remeasurement (gain) loss on plan assets	**4,658**	5,378	(50)
Remeasurement (gain) loss on changes in the effect of the asset ceiling	**(1,379)**	941	(1,115)
	₱5,972	(₱9,046)	₱23,178

Pension Asset

	2016	2015
	(In Thousands)	
Fair value of plan assets	**₱101,754**	₱23,015
Defined benefit obligation	**(93,085)**	(12,283)
Funded status - surplus	**8,669**	10,732
Effect of asset ceiling	**1,379**	–
	₱10,048	₱10,732

Pension Liability

	2016	2015
	(In Thousands)	
Defined benefit obligation	**₱62,292**	₱124,298
Fair value of plan assets	**(49,742)**	(99,648)
Effect of asset ceiling	**–**	(1,572)
	₱12,550	₱23,078

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

	2016	2015
	(In Thousands)	
Balance at beginning of the year	**₱136,581**	₱145,317
Interest cost	**7,405**	7,151
Current service cost	**15,733**	19,566
Benefits paid from plan assets	**(2,538)**	(21,135)
Actuarial loss (gain) due to:		
Experience adjustments	**4,031**	2,391
Actuarial gain on changes in financial assumptions	**(3,825)**	(18,052)
Actuarial gain on changes in demographic assumptions	**2,487**	296
Other adjustments	**(4,497)**	1,047
Balance at end of the year	**₱155,377**	₱136,581

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

	2016	2015
	(In Thousands)	
Balance at the beginning of the year	**₱122,663**	₱127,696
Interest income	**7,395**	6,480
Contributions	**31,557**	15,000
Benefits paid	**(2,538)**	(21,135)
Return on plan assets (excluding amounts included in net interest)	**(4,658)**	(5,378)
Other adjustments	**(2,923)**	–
Balance at end of the year	**₱151,496**	₱122,663

Parent Company Retirement Plan

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

	2016	2015
Discount rates	**5.86%**	6.23%
Future salary increases	**9.82%**	9.00%

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:

	2016		2015	
	Increase (Decrease) in Basis Points	**Amount**	Increase (Decrease) in Basis Points	Amount
		(In Thousands)		
	100	**(₱1,393)**	100	(₱1,172)
Discount rate	**(100)**	**1,574**	(100)	1,290
	100	**1,303**	100	880
Salary increase rate	**(100)**	**(1,182)**	(100)	(804)

As at December 31, 2016, the weighted average duration of the pension liability of Parent Company is 1.9 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:

	2016	2015
Investments in fixed income securities	**26%**	48%
Investments in unit investment trust funds	**15%**	18%
Investments in mutual funds	**6%**	8%
Others	**53%**	26%
	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 ₱78.7 million and ₱64.3 million as at December 31, 2016 and 2015, 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
	(In Thousands)
2017	₱26,712
2018	2,516
2019	9,087
2020	13,912
2021	4,025
2022-2026	23,385

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:

	2016		
	Pacific Online	**LCC**	**TGTI**
Discount rates	**5.58%**	**4.83%**	**5.38%**
Future salary increases	**8.00%**	**5.00%**	**10.00%**

	2015		
	Pacific Online	LCC	TGTI
Discount rates	4.89%	4.89%	4.89%
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:

	2016	
	1 Percent Increase	**1 Percent Decrease**
	(In Thousands)	
Discount rate	**(₱10,341)**	**₱12,913**
Salary increase rate	**11,731**	**(9,678)**

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

As at December 31, 2016, the weighted average duration of the pension liability of Pacific Online, LCC and TGTI is 16.4 years to 22.3 years.

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

	Expected Benefit Payments			
Period	Pacific Online	LCC	TGTI	Total
		(In Thousands)		
2017	₱3,044	₱2,531	₱3,774	₱9,349
2018	1,051	–	1,041	2,092
2019	3,862	354	2,563	6,779
2020	6,377	–	–	6,377
2021	3,144	–	–	3,144
2022-2026	9,297	221	322	9,840

Pacific Online expects to contribute ₱5.0 million to the defined benefit plan in 2017.

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, LCC and TGTI have funded, noncontributory defined benefit plans covering substantially all of its regular employees. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2016. 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:

	2016	2015
Investments in fixed income securities	**51%**	40%
Investments in unit investment trust funds	**25%**	14%
Others	**24%**	46%
	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, 2016 and 2015.

41. 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.

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

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance	Terms	Condition
				(In Thousands)			
APC	Associate	Advances to associate	**2016**	**₱103**	**₱79,814**	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱79,452 in 2016 and 2015
			2015	142	79,772		
Belle Jai Alai	Associate	Advances to associate	**2016**	**–**	**29,398**	Noninterest-bearing, due and demandable	Unsecured, fully provided in 2016 and no allowance in 2015
			2015	–	29,398		
Others	Associate	Advances to associates	**2016**	**115**	**11,604**	Noninterest-bearing, due and demandable	Unsecured, partially provided amounting to ₱11,486 in 2016 and ₱65,821 in 2015
			2015	2	65,938		
Belle Jai-Alai	Associate	Advances from associate	**2016**	**–**	**(60,753)**	Noninterest-bearing, due and demandable	Unsecured
			2015	–	(60,753)		
Tagaytay Highlands	With common set of directors	Advances from other related parties	**2016**	**164**	**(164)**	Noninterest-bearing, due and demandable	Unsecured
			2015	–	(10,849)		
Belle Bay City	With common set of directors	Air rights	**2016**	**13,267**	**–**	Noninterest-bearing, due and demandable	Unsecured
Others	With common set of directors	Advances from other related parties	**2016**	**2,017**	**(44,557)**	Noninterest-bearing, due and demandable	Unsecured
			2015	1,186	(1,186)		
SM Prime Holdings, Inc.	With common stockholders	Operating lease (see Note 39)	**2016**	**10,797**	**–**	5 years, renewable	Not applicable
			2015	10,481	1,919		
			2014	10,482	2,463		
		Management and professional fees (see Note 35)	2015	14,765	–	1 year, renewable	Not applicable
			2014	12,500	–		
SM Arena Complex Corporation	With common stockholders	Sponsorship agreement (see Note 35)	**2016**	**20,160**	**–**	5 years	Not applicable
			2015	7,044	–		
			2014	17,822	–		
SMIC	Stockholder	HTM investments	2014	750,000	–	Interest-bearing, maturing in 7 and 10 years	Not applicable
		Interest income on HTM investments (see Note 36)	2014	12,944	–	6.00% to 6.94%	Not applicable
Directors and officers	Key management personnel	Salaries and wages	**2016**	**63,244**	**–**	Not applicable	Not applicable
			2015	59,049	–		
			2014	61,907	–		

The following table provides the summary of outstanding balances and transactions for the years ended December 31, 2016, 2015, and 2014 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

	2016	2015
Advances to associates (see Note 14)	**₱120,816**	₱175,108
Advances from associates (see Note 22)	**60,753**	60,753
Advances from other related parties (see Note 22)	**44,721**	12,035
Operating lease payable	**–**	1,919

Total Related Party Transactions

	2016	2015	2014
Salaries and wages	**₱63,244**	₱59,049	₱ 61,907
Sponsorship agreement	**20,160**	7,044	17,822
Rent expense	**10,797**	10,481	10,482
Commission income	**2,341**	–	891
Management fee	**–**	14,765	12,500
Interest income on HTM investments	**–**	–	12,944

Allowance provided on advances to associates charged to "Investments in and Advances to Associates" amounted to ₱120.3 million and ₱145.3 million as at December 31, 2016 and 2015, respectively (see Note 14).

Transactions with other related parties are as follows:

- On May 12, 2012, the Parent Company entered into an operating lease agreement with SM Land, Inc. covering its new office space (see Note 39). 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. In 2016, the agreement was pre-terminated.

- 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 for 2016 and 2014 and ₱12.5 million for 2015 recognized under "General and administrative expenses" in consolidated statements of comprehensive income, respectively. The fees are payable within 30 days upon the receipt of billing.

- In 2014, the Company's investment in retail bond of SMIC, recognized as HTM investments, was redeemed. Proceeds from the redemption of HTM investments in 2014 amounted to ₱781.4 million.

42. SIGNIFICANT CONTRACTS

Investment Commitment with PAGCOR

In October 2012, the Company, together with PLAI (Philippine Parties) and MCE Leisure 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.

In May 2013, the Escrow was terminated as MCE Leisure deposited its own Escrow Fund to replace that of the Company.

Cooperation Agreement with MCE Leisure

On October 25, 2012, the Company together with PLAI ("Philippine Parties"), formally entered into a Cooperation Agreement with MCE Leisure 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 MCE Leisure will be a co-licensee and operator of all the facilities within the resort complex.

In March 2013, MCE Leisure paid the Company the amount of ₱949.6 million which represents various costs MCE Leisure agreed to absorb as one of the conditions of the Philippine Parties in including the MCE Parties as co-licensees under the Project.

Operating Agreement with MCE Leisure

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

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

Pursuant to this agreement, PLAI shares from the performance of the casino gaming operations. Gaming revenue share in 2016, 2015 and 2014 amounted to ₱1,643.0 million, ₱756.2 million and ₱38.8 million, respectively (see Note 28).

Advisory Services by ABLGI

ABLGI agreed to act in an advisory capacity to the Parent Company and PLAI subject to certain limitations for a consideration equivalent to percentage of PLAI's income from gaming revenue share.

Consultancy fees to ABLGI amounting to ₱216.1 million, ₱76.0 million and ₱7.1 million in 2016, 2015 and 2014 was presented as part of "Cost of gaming operations" in the 2016, 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 Legend International Resort H.K. (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, PLC, 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 PLC 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, PLC's 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, PLC's stockholders approved the cancellation and delisting of the 1,870,000,000 shares. On March 28, 2006, the SEC formally approved PLC'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 PLC's 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 PLC's 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 PLC's capital stock. Petition was elevated to the Supreme Court (SC) after the CA sustained the SEC ruling. 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.

In June 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 in June 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 Note 15). In 2014, the Company recognized reversal of a provision for impairment of its investment in LIR-HK, 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 PLC 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 37).

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

Pacific Online

ELA. Pacific Online has an ELA with the PCSO for the lease of not less than 800 lotto terminals, which includes central computer, communications equipment and the right to use the application software and manuals for the central computer system and draw equipment of PCSO for its Visayas-Mindanao (VISMIN) operations for a period of eight years from April 1, 2005 to March 31, 2013.

PCSO is the principal government agency for raising and providing funds for health programs, medical assistance and services, and charities of national character through holding and conducting charity sweepstakes, races, and lotteries and engages in health and welfare-related investments, projects, and activities to provide for permanent and continuing sources of funds for its programs. It also undertakes other activities to enhance and expand such fund-generating operations as well as strengthen the agency's fund-management capabilities.

2012 Amended ELA. On May 22, 2012, the Pacific Online and PCSO amended some provisions of the ELA which reduced the rental fee for the VISMIN operations and included the supply of betting slips and ticket paper rolls. Said reduced fee, effective June 1, 2012 until March 31, 2013, included the lease of lotto terminals in some of PCSO's Luzon operations. The amendment also incorporated the fee for maintenance and repair services as part of the rental fee and provided PCSO an option to purchase the equipment related to its VISMIN operations at the end of the lease period for ₱15.0 million.

2013 Amended ELA. On March 26, 2013, the Pacific Online and PCSO further amended some provisions of the ELA which extended it from March 31, 2013 to July 31, 2015. In lieu of the PCSO option to purchase the equipment related to its VISMIN operations, the Pacific Online agreed to reduce the rental fee on the lotto terminals for the VISMIN operations and the Company to shoulder the cost of betting slips and ticket paper rolls for the PCSO's Luzon and VISMIN operations.

2015 Amended ELA. On July 15, 2015, the Pacific Online and PCSO further amended some provisions of the ELA which extended it from August 1, 2015 to July 31, 2018. The amendment also required the Pacific Online to deposit an additional ₱5.0 million cash bond to guarantee the unhampered use and operation of the lottery system, including equipment, servers, network communication and terminals. The additional cash bond is included under "Other noncurrent assets" account in the consolidated statements of financial position.

The rental fee, presented as "Equipment lease rentals" in the consolidated statements of comprehensive income, is based on a percentage of gross sales of lotto tickets from PCSO's VISMIN and Luzon operations or a fixed annual rental of ₱35,000 per terminal in commercial operation, whichever is higher. This covers the equipment rental of lotto terminals, central computer system and communications equipment including the accessories and right to use the application software and manuals for the central computer system and terminals and draw equipment, as well as the supply of betting slips and ticket paper rolls, and maintenance and repair services. The number of installed lotto terminals totaled 4,157 and 4,088 as at December 31, 2016 and 2015, respectively.

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 21).

On March 31, 2015 the Pacific Online OMOA with PGEC for the authorization of PGEC as the exclusive marketing, distribution, selling and collecting agent of Pacific Online throughout the Philippines. The agreement took effect on April 1, 2015 and shall remain effective as long as the MOA with PCSO or any extension thereof shall be effective.

PGEC agreed to assume Pacific Online's commitment to PCSO to solely shoulder the project cost for the Instant Scratch Ticket program, which consists of the costs of production, distribution, warehousing, printing, handling, software and hardware maintenance, advertising, marketing, selling and other related expenses necessary to totally dispose of all instant tickets. PGEC is entitled to all the revenues, sums and proceeds from the Instant Scratch Tickets beginning April 1, 2015, and shall be obligated to shoulder the pay-outs for all winnings from said tickets sold beginning April 1, 2015. In consideration for the OMOA, PGEC agreed to pay Pacific Online a guaranteed fixed monthly fee of ₱4.0 million starting April 2015. This fee is included as part of "Commission and distribution income" under "Revenue" in the consolidated statements of comprehensive income.

TGTI

TGTI has an ELA with PCSO which provides for the lease of the equipment for PCSO's "Online KENO" games. The lease is for a period of ten (10) years commencing on October 1, 2010, the date of actual operation of at least 200 "Online KENO" outlets. The rental fee, presented as "Equipment rental" in the consolidated statements of income, is based on a percentage of the gross sales of the "Online KENO" terminals or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. The ELA may be extended and/or renewed upon the mutual consent of the parties.

On July 15, 2008, TGTI and PCSO agreed on some amendments to the ELA. Under the terms of the Amended ELA, TGTI shall provide the services of telecommunications integrator and procure supplies for the "Online KENO" operations of PCSO in Luzon and VISMIN areas. In consideration for such services, PCSO shall pay additional fee based on a certain percentage of the gross sales from all "Online KENO" terminals in operation in Luzon and VISMIN areas computed by PCSO and payable bi-weekly. As at December 31, 2016 and 2015, there are 1,960 and 1,770 "Online KENO" terminals in operation, respectively.

Pacific Online's Consultancy Agreements, Scientific Games, Contract with Intralot, Management Agreement

Consultancy, software and license fees and management fees 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 ₱58.2 million, ₱68.5 million and ₱46.6 million in 2016, 2015 and in 2014, respectively (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 (CVMOLS)," 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 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 Pacific Online. 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 ₱49.3 million, ₱59.7 million and ₱36.2 million in 2016, 2015 and 2014, respectively (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 CVMOLS, 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 ₱99.4 million, ₱82.2 million, and ₱28.9 million in 2016, 2015 and 2014, respectively (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 with PCSO, Intralot will now receive monthly remuneration calculated on a percentage basis of the Gross Receipts of PCSO from its Online KENO games. On March 22, 2011, the lease contract between TGTI and Intralot was further modified to reduce the percentage charged by Intralot to TGTI and that TGTI undertakes a letter of guarantee amounting to ₱20.0 million not later than March 28, 2011 in order for TGTI to secure the payment of Intralot's remuneration. The said guarantee bond is recognized under "Other noncurrent assets" account (see Note 21).

Software and license fees amounted to ₱37.9 million, ₱30.8 million and ₱16.5 million in 2016, 2015 and 2014, respectively (see Note 30).

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 ₱64.6 million, ₱56.1 million and ₱47.9 million in 2016, 2015 and 2014, respectively as part of "Consultancy fees" account under "Cost of lottery services" and "Management and professional fees" account under "General and administrative expenses" in the consolidated statements of comprehensive income (see Notes 30 and 35).

43. 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.

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 PLC's capital stock (see Note 42). The CA sustained the ruling of the SEC, thus Metroplex filed a petition for review with the SC. As at February 28, 2017, the Supreme Court has yet to resolve this petition.

However, as discussed in Note 42, the cancellation of the Swap Agreement was implemented following PLC's filing to the SEC of a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013.

44. BASIC/DILUTED EPS

	2016	2015 (As restated - see Note 10)	2014 (As restated - see Note 10)
		(In Thousands, Except EPS)	
Earnings attributable to Equity holders of the Parent (a)	**₱2,700,117**	₱1,533,731	₱2,570,029
Weighted average number of issued common shares - basic, at beginning of year	**10,518,854**	10,559,383	10,559,383
Number of parent company common shares held by subsidiaries - basic, at beginning of year	**(353,271)**	(314,416)	(336,490)
Issued during the year	**–**	389	–
Treasury shares during the year	**(20,112)**	(15,673)	–
Acquisition of entities holding parent common shares	**(3,837)**	(22,462)	(35,773)
Weighted average number of issued common shares - basic, at end of year (b)	**10,141,634**	10,207,221	10,187,120
Basic/diluted EPS (a/b)	**₱0.266**	₱0.150	₱0.252

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

45. 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, 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, 2016 and 2015, foreign currency-denominated financial asset and financial liability in US dollars, translated into Philippine peso at the closing rate:

	2016	2015
	(In Thousands)	
Cash and cash equivalents	**$850**	$1,078
Advances to contractors and suppliers*	**–**	15,000
Consultancy and software license fee payable**	**(986)**	(2,385)
Foreign currency-denominated financial assets (liabilities)	**($136)**	$13,693

**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 ₱49.72 to US$1.0 and ₱47.06 to US$1.0, as at December 31, 2016 and 2015, 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, 2016 and 2015. 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.

	2016		2015	
	Increase in US$ Rate	**Decrease in US$ Rate**	Increase in US$ Rate	Decrease in US$ Rate
	(In Thousands, Except Change in US$ Rate)			
Change in US$ rate*	**1.18**	**(1.18)**	0.64	(0.64)
Effect on income before income tax	**(₱160)**	**₱160**	₱8,818	(₱8,818)

**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 2016 and 2015 consolidated total comprehensive income before income tax:

Increase (Decrease) in Equity Price	**2016**	2015
	(In Thousands)	
Impact in profit or loss		
5%	**₱111,628**	₱11,337
(5%)	**(111,628)**	(11,337)
Impact in other comprehensive income		
5%	**₱115,320**	₱101,177
(5%)	**(115,320)**	(101,177)

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, investments held for trading, receivables, finance lease receivables, advances to associates, AFS financial assets, deposits and guarantee bonds, 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.

	2016						
	Neither Past Due nor Impaired	**Past Due but not Impaired**					
		Less than 30 Days	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Impaired**	**Total**
				(In Thousands)			
Cash and cash equivalents*	**₱2,945,822**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,945,822**
Investments held for trading	**2,232,710**	**–**	**–**	**–**	**–**	**–**	**2,232,710**
Receivables:							
Trade	**1,801,473**	**8,928**	**7,590**	**4,500**	**1,542**	**107,440**	**1,931,473**
Others	**57,634**	**3**	**–**	**–**	**84**	**172,684**	**230,405**
Finance lease receivable	**17,645,621**	**–**	**–**	**–**	**–**	**–**	**17,645,621**
Advances to associates**	**480**	**–**	**–**	**–**	**–**	**120,337**	**120,817**
AFS financial assets	**2,026,944**	**–**	**–**	**–**	**–**	**–**	**2,026,944**
Deposits***	**20,959**	**–**	**–**	**–**	**–**	**–**	**20,959**
Guarantee bonds****	**35,000**	**–**	**–**	**–**	**–**	**–**	**35,000**
	₱26,766,643	**₱8,931**	**₱7,590**	**₱4,500**	**₱1,626**	**₱400,461**	**₱27,189,751**

**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 and "Other noncurrent assets" account in the consolidated statement of financial position.*
*****Presented under "Other noncurrent assets" account in the consolidated statement of financial position.*

	2015						
	Neither Past Due nor Impaired	Past Due but not Impaired					
		Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Impaired	Total
				(In Thousands)			
Cash and cash equivalents*	₱3,561,955	₱–	₱–	₱–	₱–	₱–	₱3,561,955
Investments held for trading	2,124,947	–	–	–	–	–	2,124,947
Receivables:							
Trade	1,420,612	14,275	5,178	298	53,211	38,973	1,532,547
Others	130,859	–	–	–	–	117,706	248,565
Finance lease receivable	17,145,254	–	–	–	–	–	17,145,254
Advances to associates**	29,836	–	–	–	–	145,272	175,108
AFS financial assets	2,148,003	–	–	–	–	–	2,148,003
Deposits***	20,547	–	–	–	–	–	20,547
Guarantee bonds****	45,000	–	–	–	–	–	45,000
	₱26,627,013	₱14,275	₱5,178	₱298	₱53,211	₱301,951	₱27,001,926

**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 and "Other noncurrent 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.

	2016			
	High Grade	**Medium Grade**	**Unrated**	**Total**
		(In Thousands)		
Cash and cash equivalents*	**₱2,945,822**	**₱–**	**₱–**	**₱2,945,822**
Investments held for trading	**165,990**	**–**	**2,066,720**	**2,232,710**
Receivables:				
Trade	**1,801,473**	**–**	**–**	**1,801,473**
Others	**57,634**	**–**	**–**	**57,634**
Finance lease receivable	**17,645,621**	**–**	**–**	**17,645,621**
Advances to associates**	**480**	**–**	**–**	**480**
AFS financial assets	**1,921,444**	**2,281**	**103,219**	**2,026,944**
Deposits***	**–**	**20,959**	**–**	**20,959**
Guarantee bonds****	**35,000**	**–**	**–**	**35,000**
	₱24,573,464	**₱23,240**	**₱2,169,939**	**₱26,766,643**

**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 and "Other noncurrent assets" account in the consolidated statement of financial position.*
*****Presented under "Other noncurrent assets" account in the consolidated statement of financial position.*

	2015			
	High Grade	Medium Grade	Unrated	Total
		(In Thousands)		
Cash and cash equivalents*	₱3,561,955	₱–	₱–	₱3,561,955
Investments held for trading	226,747	–	1,898,200	2,124,947
Receivables:				
Trade	1,353,027	66,460	1,125	1,420,612
Others	130,859	–	–	130,859
Finance lease receivable	17,145,254	–	–	17,145,254
Advances to associates**	29,836	–	–	29,836
AFS financial assets	2,035,354	–	112,649	2,148,003
Deposits***	–	20,547	–	20,547
Guarantee bonds****	45,000	–	–	45,000
	₱24,528,032	₱87,007	₱2,011,974	₱26,627,013

**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 and "Other noncurrent 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 investments held for trading and AFS financial assets are unrated while quoted 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, 2016 and 2015 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.

	2016					
	On Demand	**< 6 Months**	**6 Months to 1 Year**	**1–3 Years**	**> 3 Years**	**Total**
			(In Thousands)			
Financial Assets						
Cash and cash equivalents	**₱2,953,262**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,953,262**
Investments held for trading	**2,232,710**	**–**	**–**	**–**	**–**	**2,232,710**
Receivables	**302,771**	**1,443,985**	**133,062**	**219,758**	**62,302**	**2,161,878**
Finance lease receivable****	**–**	**819,428**	**812,854**	**5,911,370**	**37,911,003**	**45,454,655**
Advances to associates*	**120,336**	**480**	**–**	**–**	**–**	**120,816**
AFS financial assets	**–**	**–**	**–**	**–**	**2,026,944**	**2,026,944**
Deposits**	**–**	**–**	**–**	**20,959**	**–**	**20,959**
Guarantee bonds***	**–**	**–**	**–**	**35,000**	**–**	**35,000**
	₱5,609,079	**₱2,263,893**	**₱945,916**	**₱6,187,087**	**₱40,000,249**	**₱55,006,224**
Financial Liabilities						
Loans payable****	**₱–**	**₱44,401**	**₱2,158,884**	**₱–**	**₱–**	**₱2,203,285**
Trade and other current liabilities*****	**1,058,493**	**–**	**–**	**3,562**	**–**	**1,062,055**
Long-term debt****	**–**	**324,746**	**817,033**	**2,276,713**	**2,928,976**	**6,347,468**
Nontrade liability****	**–**	**3,762,000**	**–**	**–**	**–**	**3,762,000**
Obligations under finance lease****	**–**	**29,343**	**33,720**	**76,208**	**–**	**139,271**
	₱1,058,493	**₱4,160,490**	**₱3,009,637**	**₱2,356,483**	**₱2,928,976**	**₱13,514,079**

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

	2015					
	On Demand	< 6 Months	6 Months to 1 Year	1–3 Years	> 3 Years	Total
			(In Thousands)			
Financial Assets						
Cash and cash equivalents	₱3,570,065	₱–	₱–	₱–	₱–	₱3,570,065
Investments held for trading	2,124,947	–	–	–	–	2,124,947
Receivables	229,641	1,074,812	149,147	317,871	9,641	1,781,112
Finance lease receivable****	–	756,147	747,326	3,422,705	42,031,885	46,958,063
Advances to associates*	145,272	29,836	–	–	–	175,108
AFS financial assets	–	–	–	–	2,148,003	2,148,003
Deposits**	–	–	–	20,547	–	20,547
Guarantee bonds***	–	–	–	45,000	–	45,000
	₱6,069,925	₱1,860,795	₱896,473	₱3,806,123	₱44,189,529	₱56,822,845
Financial Liabilities						
Loans payable****	₱–	₱21,250	₱1,031,875	₱–	₱–	₱1,053,125
Trade and other current liabilities*****	1,359,352	–	21,708	45,303	–	1,426,363
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
	₱1,359,525	₱649,637	₱1,577,461	₱3,461,612	₱16,852,691	₱23,900,926

**Presented under "Investments in and advances to associates" account in the consolidated statement of financial position.*
***Presented under "Other current assets" and "Other noncurrent 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 39) 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 2016 and 2015.

The Company considers the following as its capital:

	2016	2015
	(In Thousands)	
Common stock	**₱10,561,000**	₱10,561,000
Additional paid-in capital	**5,503,731**	5,503,731
Treasury shares	**(181,185)**	(134,442)
Equity share in cost of Parent Company shares held by associates	**(2,501)**	(2,501)
Cost of Parent Company common shares held by subsidiaries	**(1,758,264)**	(1,749,628)
Retained earnings	**6,289,302**	4,552,639
	₱20,412,083	₱18,730,799

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:

	2016					
	Valuation Date	**Carrying Value**	**Fair Value**	**Quoted (Unadjusted) Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
			(In Thousands)			
Assets						
Assets measured at fair value:						
Investments held for trading	**December 31, 2016**	**₱2,232,710**	**₱2,232,710**	**₱165,990**	**₱–**	**₱2,066,720**
AFS financial assets (quoted)	**December 31, 2016**	**1,923,725**	**1,923,725**	**1,923,725**	**–**	**–**
Assets for which fair value is disclosed:						
Loans and receivables:						
Receivables -						
Trade	**December 31, 2016**	**784,866**	**723,156**	**–**	**723,156**	**–**
Finance lease receivable	**December 31, 2016**	**17,645,621**	**20,192,019**	**–**	**–**	**20,192,019**
Liabilities						
Liabilities for which fair value is disclosed:						
Long-term debt	**December 31, 2016**	**4,621,875**	**4,307,683**	**–**	**–**	**4,307,683**
Obligations under finance lease	**December 31, 2016**	**119,342**	**132,578**	**–**	**–**	**132,578**

	Valuation Date	Carrying Value	Fair Value	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			2015			
			(In Thousands)			
Assets						
Assets measured at fair value:						
Investments held for trading	December 31, 2015	₱2,124,947	₱2,124,947	₱226,747	₱–	₱1,898,200
AFS financial assets (quoted)	December 31, 2015	2,035,354	2,035,354	2,035,354	–	–
Assets for which fair value is disclosed:						
Loans and receivables:						
Receivables -						
Trade	December 31, 2015	688,348	749,441	–	749,441	–
Finance lease receivable	December 31, 2015	17,145,254	19,795,765	–	–	19,795,765
Liabilities						
Liabilities for which fair value is disclosed:						
Nontrade liability	December 31, 2015	5,295,058	6,986,299	–	–	6,986,299
Long-term debt	December 31, 2015	4,984,375	4,483,169	–	–	4,483,169
Obligations under finance lease	December 31, 2015	118,555	116,895	–	–	116,895

The Company has no financial liabilities measured at fair value as at December 31, 2016 and 2015. There were no transfers between fair value measurements in 2016 and 2015.

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, Advances to Associates, Receivables (except receivables from real estate), Loans Payable, Trade and Other Current Liabilities and Installment Payable. The carrying values of these financial instruments approximate their fair values due to the relatively short-term maturities of these financial assets and financial liabilities.

Receivable from Real Estate Sales. The fair value of trade receivables from real estate sales is determined by discounting the estimated cash flows using prevailing interest rates as at reporting dates. The discount rates used ranged from 3.5 % to 5.7% and 1.0% to 5.9% in 2016 and 2015, respectively.

Finance Lease Receivables. The fair value of finance lease receivable is determined by discounting the estimated cash flows using prevailing discount rates in 2016 and 2015.

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 on nontrade liability as at December 31, 2016 approximates its fair value due to relatively short-term maturity of this instrument. The fair value of nontrade liability as at December 31, 2015 is determined by discounting estimated cash flows using prevailing discount rates in 2015.

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 3.6% to 3.7% in 2016 and 3.8% to 3.9% in 2015.

Obligations under Finance Lease. The fair value of obligations under finance lease is determined by discounting the estimated cash flows using the discount rate of 1.9% to 3.9% in 2016 and 2.4% to 4.1% in 2015.

46. EVENTS AFTER REPORTING PERIOD

On February 28, 2017, the Parent Company's BOD approved the declaration of cash dividends of Nine-and-a-Half Centavos (₱0.095) per share, totaling ₱1,000.0 million. The record date to determine the shareholders entitled to receive the cash dividends was set to March 14, 2017 with the payment set on March 30, 2017.

47. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

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

	Amount
	(In Thousands)
Acquisition on controlling interest - reduction in investment account	(₱2,464,016)
Cancellation of the share swap agreement between PLC and LIR	1,219,133

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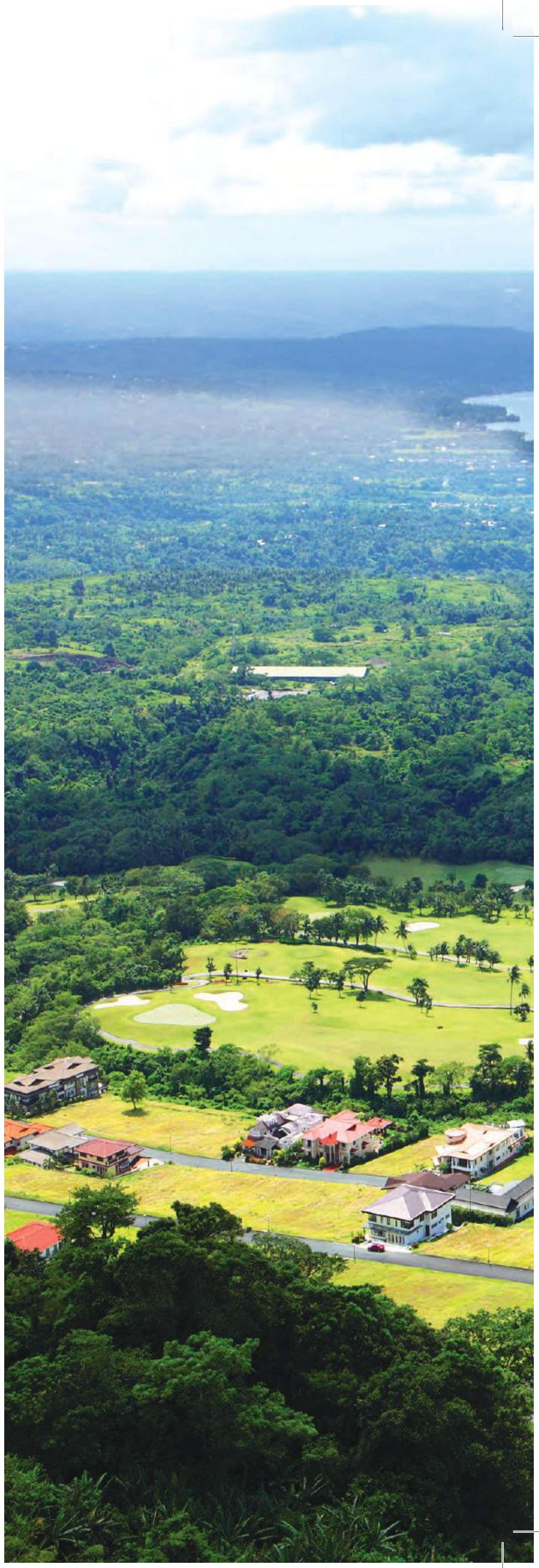

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