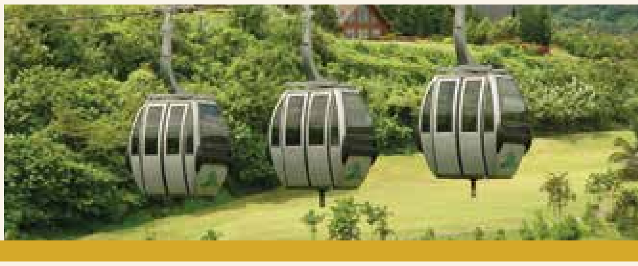
BELLE CORPORATION



Annual Report 2013

BELLE CORPORATION

OUR VISION

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

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.

OUR VALUES

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


CITY OF DREAMS

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MESSAGE TO SHAREHOLDERS

Two years ago, we wrote to you that Belle Corporation was entering one of the most exciting and potentially rewarding times in its history in embarking upon an integrated resort project. This project is intended to take your Corporation to the next step in its evolution as a leading player in the Philippine high-end property and leisure industry. You have since seen a steady progression towards the realization of that vision. We are pleased to report that your Corporation achieved record net income of ₱3.64 billion for 2013. The previous record was about ₱1.15 billion, achieved during 1997 just prior to the Asian financial crisis.

With regard to Belle's integrated resort project, it rises in gleaming gold at the intersection of two landmark roads – Roxas Boulevard and Aseana Avenue. The former is the grande dame of Philippine thoroughfares and a beacon of this country's past, having seen many momentous events in our history. The latter is envisioned to be the gateway to PAGCOR Entertainment City, and a showcase tourism area similar to the Las Vegas Strip and Macau's Cotai Strip. Our partners in the project, the Melco Crown Group, is one of the premier operators of integrated resorts in the world and has agreed to brand our integrated resort as "City of Dreams Manila", after its flagship Cotai Strip resort. Construction of City of Dreams Manila is on track for completion and a grand opening within 2014.

Meanwhile, we continue to nurture our "legacy" real estate business around the Tagaytay Highlands and Midlands complexes, as various development projects near the Tagaytay Midlands golf course continue. During 2013, Belle completed the Lucky 9 golf course within Tagaytay Midlands, and, together with

We are pleased to report that your Corporation achieved record net income of ₱3.64 billion for 2013.

the Tagaytay Highlands golf course, provides the clubs' golfing members with a total of 45 playable holes. Belle also completed and turned over six out of the eight phases of its Lakeside Fairways development. As of the end of 2013, Belle has approximately ₱2.6 billion in reservation sales value of real estate inventory finished or in progress. With approximately 750 hectares of undeveloped real estate in our landbank, stretching from Tagaytay City to the shores of Taal Lake, we have a vast storehouse of value from which Belle will be able to continue to launch real estate projects far into the future.

We journey into 2014 with much promise and excitement. We look forward to the grand opening of City of Dreams Manila later in the year and to the continued growth of the Tagaytay Highlands and Midlands communities. We continue to be committed to our principal objectives of delivering value to our shareholders, serving as a good corporate citizen and being a world-class provider of the finer things in life.

Thank you for continuing on this journey with us.

Sincerely,

BENITO TAN GUAT
Chairman

WILLY N. OCIER
Vice Chairman

ELIZABETH ANNE C. UYCHACO
Vice Chairperson

PRESIDENT'S REPORT

2013 was a stellar year for Belle Corporation, certainly an indication of an even more promising future. In the first three months of the year net income already surpassed the full year performance of the Company in each of the past fifteen years. The full year 2013 culminated in record net income of ₱3.64 billion, more than three times the previous record level of ₱1.15 billion achieved in 1997.

The main catalyst for the strong 2013 performance was our integrated resort business. Belle's main project in this area is the "City of Dreams Manila", located at the entrance of PAGCOR Entertainment City on Manila Bay and formerly known as "Belle Grande Manila Bay". Key milestones for this project over the past two years include:

- In October 2012, Belle signed a Cooperation Agreement with Melco Crown Entertainment Limited ("Melco Crown Group"), cementing a partnership with one of the premier operators of integrated resorts in the world. The Cooperation Agreement places Belle as co-licensee and property owner, with Melco Crown Group as the other co-licensee and the operator of the integrated resort.
- In March 2013, Belle completed and turned over to Melco Crown Group Phase 1 of the integrated resort project, which contains approximately 17 hectares of building space out of a total of about 30 hectares planned for the resort. Upon turnover, Belle started receiving rental payments on the Phase 1 building and 6.2 hectares of land. Phase 1 is designed to contain the resort's six hotel towers, approximately 2 hectares of gaming space and a number of high-end restaurants and bars.
- In October 2013, the integrated resort was officially renamed "City of Dreams Manila", after Melco Crown Group's highly successful flagship resort in Macau's Cotai Strip. While Melco Crown Group has been operating two successful resorts in Macau, the Altira Macau and the City of Dreams, this is its first resort to open outside Macau.
- Crown Hotels in October 2013 and Nobu Hotels in February 2014 were announced as two of the three hotel brands that will house approximately 950 hotel keys in City of Dreams Manila, with the third

- hotel brand to be announced in early 2014.
- Belle is on track to deliver Phase 2 of the project to Melco Crown Group in the first half of 2014. Phase 2 will contain approximately 13 hectares of building space, which will include, retail space, food and beverage outlets, as well as other non-gaming entertainment features. City of Dreams Manila is on track to have its grand opening within 2014.

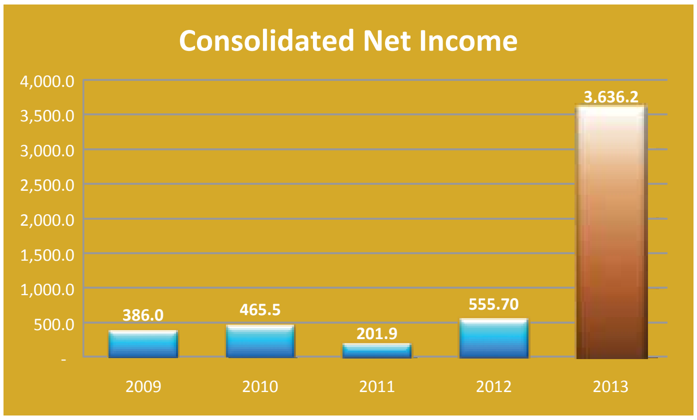
The Belle of today looks noticeably different from the Belle of ten years ago and will look even more different by the end of 2014. The Company's earnings are increasingly being derived from lease income and leisure-related activities and relatively less from the development and sale of real estate products. This is a product of Management's continuous efforts to identify sectors in the Company's markets and areas of expertise that have the highest potential for delivering value to its shareholders. However, we remain committed to our historical strengths – especially our valued jewel in Tagaytay Highlands and its surrounding residential and leisure estate, which today encompasses over 1,000 hectares of prime land. With a landbank of about 750 hectares of undeveloped land emanating southwards from Tagaytay City to Taal Lake, Belle has the means to continue to be a major player in high-end property development for years to come.

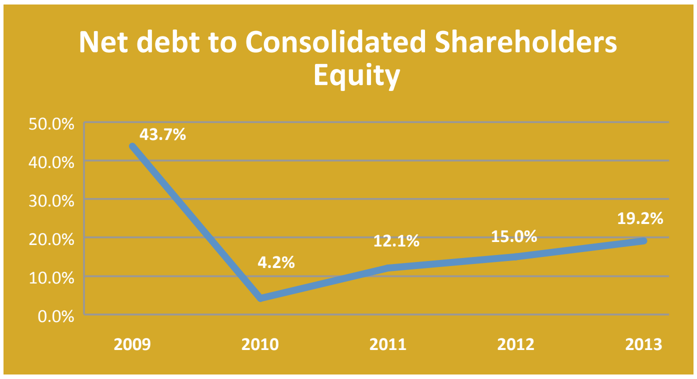
FINANCIAL REVIEW

For the year 2013, the Company realized record consolidated net income of ₱3,636 million, about 6.5 times the level of ₱556 million in 2012. This was achieved due to higher revenues, mainly from the lease agreements with Melco Crown Group, with total revenues of ₱2,624 million for 2013 being more than 5 times the prior year level of ₱494 million. Industry accounting rules required us to account for the leases to Melco Crown Group as if they were finance leases, which resulted in a one-time noncash accounting gain of ₱2,324 million. Adjusted net income without this noncash gain would still comprise a record level at approximately ₱2,009 million or almost 4 times net income in 2012.

PRESIDENT'S REPORT

Belle's liquidity and balance sheet continue to be strong. As of December 31, 2013, Belle had ₱1.9 billion in cash and liquid investments, as well as ₱2.8 billion in credit availability. The Company maintains a conservative capital structure, with its net debt of ₱3.9 billion (defined as total loans payable and long-term debt of ₱5.8 billion less cash and investments of ₱1.9 billion) being only 22% of its shareholders' equity of ₱20 billion.





REAL ESTATE DEVELOPMENT

The Japanese-themed residential communities, Katsura and Yume, have been completed and are ready to accept residential construction. Katsura features traditional and contemporary Japanese homes inspired by the princely summer retreat of the Katsura Palace in Kyoto. Yume, Katsura's best-kept secret, is a premium residential enclave (within Katsura) that presents a place of rustic, elegant simplicity, breathtaking panoramic views of Taal Lake and Volcano and front row seats to nature's grandeur. Currently undergoing expansion, the extension of Yume in the Lakeside Fairways will be offering beautiful vistas of the Tagaytay Midlands golf course.

Construction of Nob Hill, a modern architecture inspired-community, is in full-swing and will be completed in the fourth quarter of 2014.

Meanwhile, Asian Contemporary-themed Sycamore Heights is set for completion by 2015. It is one of the most prime subdivisions in the Tagaytay Midlands and features scenic views of Taal Lake and Volcano, Midlands Fairways and the mountainside.

Expansion works are currently underway for Plantation Hills, an organic farming themed community within the Greenlands.

In addition, Tagaytay Highlands delivered a series of improvements and renovation projects in the last year that covered the areas of golf, operations and services, as well as employees' facilities.

Under golf facility renovations, the Club has accomplished the rehabilitation of Hole No. 18 at the Tagaytay Highlands golf course. Improvements at the Midlands Driving Range were likewise implemented creating a more conducive area for golfers, while a fresh new look greatly uplifted the interiors of Midlands Golfers' Lounge in time for the completion of the Lucky 9 golf course within Tagaytay Midlands. The latest addition increases the club's golf course holes to a total of 27 and, together with the Tagaytay Highlands golf course, a total of 45 playable holes.

Meanwhile, a new fleet of vehicles were acquired to service Club members and guests, making it easier and more convenient for them to move around the mountain resort community. The Highlands Holy Family Chapel is in its first phase of renovation, creating a Sacristy, larger washrooms and access ramps and washroom for the elderly and persons with disabilities. A rehabilitation package was also created for Camp Highlands, so that families will once again be able to enjoy its forest-resort charm. Club outlets and function rooms such as the Highlands Peak Bar, The Library, Akasaka, The Breadshop, Toscana, Zsa Zsa's, La Belle, Chosun, Marbella and Highlands Golfers' Lounge underwent interior improvements. Following the completion of the Highlands Golf Club rehabilitation and interior renovation, The Country Club at Tagaytay Highlands was also rehabilitated in the last quarter of 2013.

Finally, the Employees' Cafeteria was refurbished and a new Manager's Lounge now houses the management team's dining and meeting room facilities at the Highlands Golf Club and at the Administration area.

Tagaytay Highlands has defined mountain resort living in the Philippines for two decades now and celebrates its 20th anniversary in 2014. It remains the benchmark for a private and exclusive luxury mountain resort community and leisure destination.

INVESTMENTS AND AFFILIATES

Pacific Online Systems Corporation ("Pacific Online"), a 35%-owned gaming affiliate, realized net income of ₱324 million in 2013, which delivered ₱113 million in equitized income to Belle's bottom line. Moreover, Pacific Online paid out dividends of ₱0.75 per share during 2013, which generated for Belle approximately ₱74 million in cash flow. Pacific Online supplies lottery equipment to the Philippine Charity Sweepstakes Office ("PCSO"), for which it collects a percentage of PCSO's revenues from lottery sales using the equipment.

During the third quarter of 2013, Belle accepted the offer of SM Prime Holdings, Inc. ("SMPH") to exchange 0.135 SMPH shares for every share of Highlands Prime, Inc. ("HPI"), as part of the SM Group's consolidation of property development assets in subsidiary companies under SMPH. Belle exchanged its 809 million HPI shares for 109 million SMPH shares, with an unrealized gain of ₱772 million. The Company views this exchange as advantageous to shareholders given SMPH's position as the largest property company in the Philippines and the ample liquidity and steady dividend history of its shares.

The coming years promise to be full of challenges and opportunities, as the Philippines continues on its course in joining the "Tiger" economies of Asia. It is the responsibility of the Board and Management to ensure that your Company continues to evolve with this growth to capture the emerging opportunities that Belle's significant assets provide, while always exercising appropriate prudence to avoid unnecessary risks and operate within our financial means.

We are keenly aware of the importance of good environmental management and stewardship of the premium natural resources that are among the key assets of the Company. We endeavor to preserve and enhance that heritage as we develop our projects in a sustainable manner. Similarly we will continue to prioritize community development and provide employment for the host communities in which we operate.

Belle fully intends to be a leading player in the growth in the Philippine tourism and leisure industry, in which integrated resorts are an increasingly important sector. At the same time, our legacy business in Tagaytay City and Batangas, which started with the Tagaytay Highlands International Golf Club twenty years ago, will continue to be a key part of our efforts to deliver value to our shareholders.

I would like to thank the Board for their ongoing support and the Management team for all their efforts over the highly eventful last twelve months. I would also like to say thank you to our shareholders – your confidence in the company and ongoing support enables us to continue to build Belle Corporation for the future.

Sincerely,

FREDERIC C. DYBUNCIO
President and Chief Executive Officer


The Country Club

TAGAYTAY HIGHLANDS: CELEBRATING 20 YEARS OF MOUNTAIN RESORT LIVING

More than two decades ago Belle Corporation, then a dormant mining and oil exploration company, shifted its course towards property development and in 1994 opened what is known today as the highly-acclaimed Tagaytay Highlands resort complex. Marking the event was the inauguration of Tagaytay Highlands Golf Club, the first among four Clubs to come. Twenty years later, Tagaytay Highlands remains the most sought-after private and exclusive luxury mountain residential resort community and has since become the benchmark for a family leisure destination in the country.


The Tagaytay Midlands golf course

Only a year after its opening, the community's first residential development was completed: Pinecrest Village, a complex of Swiss-Alpine designed condominium units. This was followed by the completion of the resort's second club, The Country Club at Tagaytay Highlands, and the Southern California themed residence called The Villas located at Tagaytay Highlands.

In 1996, the company launched The Belle View. Utilizing an innovative first-of-its kind multi-tiered design that capitalized on the terrain's naturally terraced slope, it offered each condominium unit unobstructed prime Taal Lake and mountainside views. The Woodlands units in 1998, were delivered to homeowners—these would soon be Tagaytay Highlands' renowned signature premium log cabin homes.

By 1999, the resort complex inaugurated its third club—The Tagaytay Midlands Golf Club, and following this was the opening of the fourth club, The Spa and Lodge at the Highlands in the same year. Meanwhile, the first residential developments in Tagaytay Midlands, Alta Mira and Lakeview Heights, blessed with Taal Lake and The Midlands golf course as view corridors, were turned over in 2001.

Fulfilling the market's need for a healthy and holistic lifestyle, the company then in 2003 began development of Phase 1 of Plantation Hills, an upscale organic farming community at the Greenlands. A year later saw the beginning of simultaneous development of Phases 2 and 3 of Plantation Hills as well The Parks at Saratoga Hills—just two minutes away from the Midlands driving range, it features gardens and courtyards with 18 house designs to choose from. Soon after in 2005, development of Plantation Hills' Phase 5 commenced upon completion of the community's previous phases, while in 2006 the Greenlands community welcomed another addition through development of The Verandas at Saratoga Hills, a community featuring American homes with roof-covered, open spaces such as porches and verandas.

It was in 2007 that Belle Corporation began development of the Lakeside Fairways, a nature-inspired community with several unique village clusters namely Kew Gardens, Terrazzas de Alava, Tivoli Place, and Lakeside Enclave. These residential communities are enveloped by fairways with some areas even offering picturesque views of Taal Lake.

Inspired by the world heritage site in the United Kingdom called Kew, Kew Gardens at the Lakeside Fairways features an ampitheater-like layout directed towards a central park. Terrazzas de Alava meanwhile is Tagaytay Highlands' interpretation of the Basque Country in Northern Spain, Alava. Characterized by a slightly terraced slope, this development presents magnificent view corridors of the Tagaytay Midlands golf course and Taal Lake.

Tivoli Place is influenced by Italy's historic hill in the Lazio region, featuring scenic views of the fairways, lush landscaped gardens and the serene mountainside—while the Lakeside Enclave comprising a mere 19 premium residential lots provides its discriminating

TAGAYTAY HIGHLANDS

The Tagaytay Highlands golf course overlooking The Villas (right) and The Country Club

Highlander Steakhouse


Construction of The Belle View in 1996 which was completed two years later.


The Belle View as it stands today.

clientele with utmost luxury, privacy and exclusivity.

In 2008, Cotswold was launched, which was easily the golf lover's pick, surrounded by gorgeous and relaxing fairway views on all sides. Katsura on the other hand was launched in 2009 and is inspired by the great Katsura Palace of Kyoto offering a rustic and elegant way of life. Within the aristocratic center of Katsura lies Yume; literally meaning 'dream' in Japanese, it offers a privileged few the experience of nature's grandeur, featuring front row seats to spectacular vistas of Taal Lake.

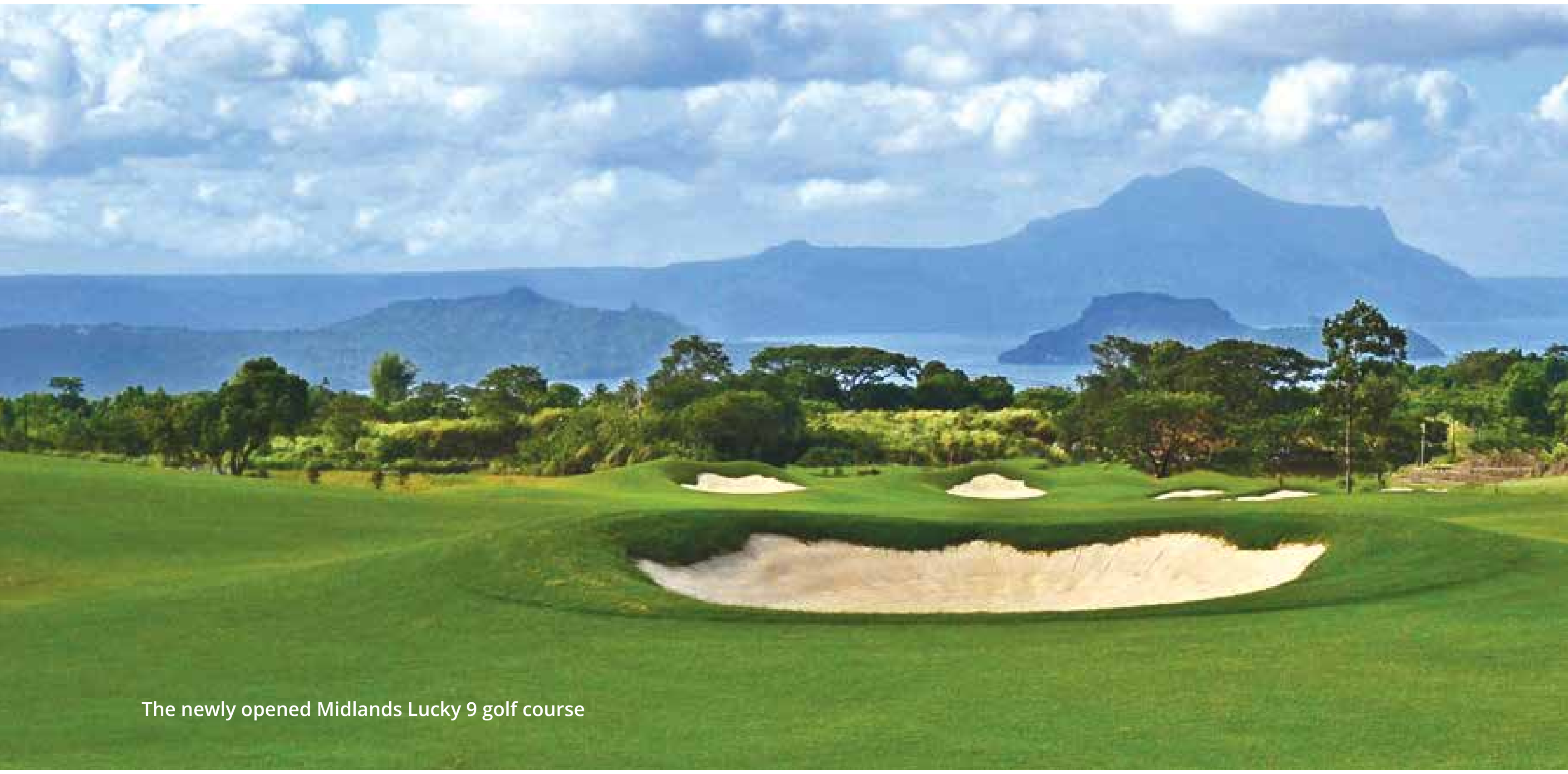
Your Corporation then launched another addition to the Greenlands' community of leisure residential developments in 2009: Fairfield, meaning beautiful land is embraced by balance and harmony with nature as its primary backdrop. The following year, an eco-friendly community called Nob Hill was introduced featuring homes with Contemporary Architecture that seamlessly blends nature with modern design.

2011 was the year Sycamore Heights was launched. With an elevation of 165-195 meters above sea level, it is situated in one of the most prime locations at the Midlands, featuring Asian Contemporary homes with stunning views of Taal Lake, Volcano and the mountain range, as well as surrounding fairways of the Midlands golf course.

In 2013, the nine-hole Midlands Lucky 9 was launched, increasing the Club's golf course holes to 27 with a total of 45 playable holes including Tagaytay Highlands golf course.


Camp Highlands

TAGAYTAY HIGHLANDS



The newly opened Midlands Lucky 9 golf course

What began as a vision to offer the finer things in life, through a haven where one can spend quality time with family and friends, has, after two decades reshaped the landscape of Tagaytay. Nestled in one of Tagaytay's highest elevations, Tagaytay Highlands has truly defined mountain resort living through its luxury second homes—the ultimate family getaway, providing refuge from the hustle and bustle of city life featuring year-round cool weather and breathtaking views of Taal Lake, Volcano and the surrounding mountain range. The world-class Club lifestyle provides fun, convenience and hassle-free country living through: the first cable car system and funicular from Switzerland; two championship golf courses; The Sports Center with swimming pool, basketball court, tennis, badminton and squash courts, billiard hall and bowling alley and children's playground; The Country Club with mini golf course, swimming pools and fishing pier; horseback riding ring; Animal Farm; more than 20 dining outlets offering a wide range of various cuisine; The Spa and Lodge; Holy Family Chapel at The Highlands and Madre de Dios Chapel at The Midlands; basic facilities including security, uninterrupted power and water supply; independent fire-fighting team; 24-hour clinic with ambulance; beauty salons and Wi-fi zones. Through a series of renovation projects, The Club continues to offer a leisure and luxury lifestyle experience that families love coming back to again and again.

The last two decades has bridged generations through countless family get-togethers, from simple weekend escapes to the most grand weddings and intimate renewal of vows. Through the years, Tagaytay Highlands homeowners and members have experienced the joy of creating priceless memories and wonderful family traditions to be passed on from generation to generation.

As we look back with pride and gratitude at the challenges and triumphs over the last 20 years, we too look ahead with an even stronger resolve to continue creating an unparalleled leisure and lifestyle experience that our homeowners and members can enjoy in the many years to come.

Swiss-engineered Funicular

The Verandas Model Home

TAGAYTAY HIGHLANDS

The newly refurbished Marbella Spanish dining outlet

Akasaka, the newly renovated Japanese restaurant


Brand new gazebos at the driving range


Newly landscaped The Gardens at The Country Club

CITY OF DREAMS MANILA

CITY OF DREAMS MANILA: THE MAKING OF A DREAM PROJECT

To the uninitiated builder, a condominium might ordinarily be a vertical living space; a shopping center simply a hodge-podge of brands; a resort merely a cluster of water and cement. But merge two industry powerhouses together — the pioneer high-end real estate developer Belle Corporation on one hand, and Asia's leading integrated entertainment casino resort operator Melco Crown Entertainment Limited on the other — one can expect an unprecedented caliber of a project other developers can only dream about.

The integrated resort (IR) complex, formerly known as the Belle Grande Manila Bay, was officially named "City of Dreams Manila" on 9 October 2013. The Manila project is City of Dreams' first namesake outside of its flagship property in the gaming mecca of Macau. The gaming and entertainment facility is a result of the cooperation between Belle Corporation and Melco Crown (Philippines) Resorts Corporation.

THE DREAM PARTNERSHIP

For the past 20 years, Belle Corporation has upheld its status as one of the country's leading high-end leisure and residential real estate property developers. The Company's crown jewel, Tagaytay Highlands, boasts of focused secondary home projects, world-class golf courses, and specialized amenities.

The game changer for Belle Corporation is the acquisition of a gaming license from the state-run Philippine Amusement and Gaming Corporation (PAGCOR). In 2008, Belle's wholly owned subsidiary, Premium Leisure and Amusement, Inc. (PLAI), was granted the provisional license to build and operate an integrated resort within PAGCOR Entertainment City. The Entertainment City is the government's most ambitious tourism project to date, and is set to draw attention to the Philippines as a worthwhile gaming and entertainment destination in Southeast Asia.

Melco Crown Entertainment Limited (MCE) is a publicly traded company listed on the Hong Kong stock exchange and NASDAQ, and has likewise entered the local bourse through the acquisition by its wholly owned subsidiaries of Melco Crown Philippines Resorts Corporation (MCP) in December 2012. MCE is a developer, owner, and through a Macau subsidiary which holds a gaming sub-concession, an operator of casino gaming and entertainment resort facilities in Asia.

In March 2013, Belle and PLAI signed with MCP and the latter's affiliated companies an Operating Agreement to seal the transactions set by the Cooperation Agreement initially signed among the said parties back in October 2012. The Operating Agreement allows MCP via its subsidiary, MCE Leisure, to operate City of Dreams Manila.

City of Dreams Manila is Belle's first development outside Tagaytay City, and is MCE's first integrated entertainment resort outside Macau. Although it is the second player to open in the Entertainment City, City of Dreams Manila will be the first resort operated by an entity with an existing foothold in Macau. The complex will benefit from the current patronage among its predominantly Chinese market, in Macau. Backed up by Belle's undisputed track record as a real estate developer and MCE's expertise in IR operations, the strategic partnership between the two industry movers will elevate the standards of gaming, hospitality, and entertainment even further.

CITY OF DREAMS MANILA

THE DREAM PROJECT

City of Dreams Manila stretches along a prime 6.3-hectare location at the gateway to Entertainment City. The property is strategically located between two major thoroughfares: Roxas Boulevard and Diosdado Macapagal Avenue.

The standout gold-cladded structure is a landmark in progress, and is conveniently accessible from Manila's business districts, the SM Mall of Asia Complex, and the Ninoy Aquino International Airport (NAIA). The NAIA Expressway project, which is currently underway, will link the three Manila airport terminals to Entertainment City via an elevated road by September 2015. The expressway is expected to ramp up tourist foot traffic to the Entertainment City.

City of Dreams Manila will open in 2014 with a total gross floor area of approximately 300,100 square meters. The complex will open its doors in a collective showcase of its gaming facilities, six hotel towers, entertainment facilities, an upscale shopping mall, specialty restaurants and bars, and a multi-storey car park.

CITY OF GAMING

Concurrent with the unveiling of the City of Dreams Manila brand on 9 October 2013, MCE Co-Chairman and CEO Lawrence Ho said: “City of Dreams Manila will herald a new era of entertainment in Manila and will provide visitors with an exceptional world-class gaming and entertainment experience, delivering international standards of retail, food & beverage and hotel amenities, together with diverse and innovative lifestyle and entertainment offerings.”

City of Dreams Manila will have an aggregate gaming area capped at 7.5% of the total gross floor area, and will be permitted to operate up to approximately 1,680 slot machines, 1,680 electronic table games, and 365 tables upon completion.

CITY OF HOSPITALITY

The six hotel towers will have a combined key count of approximately 950 rooms, including the 260-room Crown Towers hotel, the 321-room Nobu Hotel, and another hotel with VIP and five-star luxury rooms.

The Crown Towers hotel at City of Dreams Manila is a welcome addition to Crown’s existing chain of hotels in Melbourne, Australia and City of Dreams Macau. In a statement released by MCP, the Manila property will “cater to the high-end VIP and premium mass market segments in Manila, leveraging the experience that Melco Crown Entertainment has built up in these key segments, notably through its vast operations in Macau.”

“The addition of the Crown Towers hotel brand in Manila is another example of Crown’s strong relationship with Melco Crown Entertainment and recognition of the unique opportunity City of Dreams Manila offers to further expand the Crown brand throughout Asia,” said Melco Crown Entertainment Co-Chairman James Packer.

CITY OF DREAMS MANILA

Another milestone is the opening of the first Nobu Hotel in Asia, right in City of Dreams Manila. At present, there are Nobu Hotels in the cities of Las Vegas, U.S.A. and Riyadh, Saudi Arabia.

Inspired by the world-renowned Japanese culinary genius Chef Nobu Matsuhisa and championed by Academy award-winning actor Robert De Niro and Hollywood producer Meir Teper, Nobu Hotel Manila will deliver a "thrilling, celebrity-inspired, and 'fun-luxury' experience fused with the utmost quality to visitors of City of Dreams Manila."

In a statement released by MCP, the upscale hotel will feature a Nobu restaurant facing Manila Bay in an outdoor cabana-style dining terrace. It will be the perfect venue for customers to experience the renowned cuisine of Chef Nobu. Amenities will include a Nobu Tea Lounge at the lobby, and a Nobu Spa and Fitness Room at the hotel's platform deck.

Just take it from the Queen of Pop, Madonna, who understands the Nobu energy by instinct: "You can tell how much fun a city is going to be if Nobu is in it."

A sake toast to the dream (left to right): Trevor Horwell, Robert de Niro, Lawrence Ho, Nobu Matsuhisa, James Packer, and Meir Teper.

NOBU HOTEL MANILA

CROWN TOWERS MANILA

"You can tell how much fun a city is going to be if Nobu is in it."
- Madonna

CITY OF ENTERTAINMENT

The total budget for the City of Dreams Manila up to the time of opening is estimated at approximately US$680.0 million.

The facility will feature an array of record-breaking entertainment venues, including: the first branded Family Entertainment Center in the country; a live performance lounge inside the casino; and the largest nightclub and ultra-lounge in the Metro, situated inside the iconic "Fortune Egg."

The Fortune Egg is a uniquely designed dome-like structure, destined to become an iconic landmark in Entertainment City. The Fabergé-esque nightclub and ultra-lounge structure will be iconic by design, and unforgettable by experience.

Phases 1 and 2 will open simultaneously, and will be connected by a massive bridge way that will house coveted retail brands. City of Dreams Manila promises to bring the globe to our patrons' plate, offering a curated selection of dining options for the most discerning epicures.

CITY OF OPPORTUNITIES

MCE prides itself in granting over 6,000 promotions to date, because it believes in the internal career growth of its employees. The complex is expected to generate up to 5,000 employment opportunities. City of Dreams Manila will create thousands of jobs for the locals, promote tourism, and generate tax revenues.

City of Dreams Manila will usher in a new era of gaming, hospitality, entertainment, shopping, and dining. The integrated resort is a product of strong partnerships and trusted brands, and bound to become the one-stop City of Everything. City of Dreams Manila aspires to be the frontrunner in boosting tourism and catalyzing economic growth.

City of Dreams Manila is primed to be the primus inter pares integrated resort: it will change the game and take it to unprecedented heights.

Get ready, the dream will soon be a reality.

CORPORATE SOCIAL RESPONSIBILITY

As the country's premier luxury mountain resort community and family leisure destination, Tagaytay Highlands is blessed with year-round cool weather, spectacular views of Taal Lake and Volcano, the surrounding mountain range and an abundance of natural resources. In line with Belle Corporation's mission to develop quality entertainment and leisure facilities that promote growth and environmental sustainability, Tagaytay Highlands has implemented various initiatives such as tree-planting events, recycling and the use of renewable resources.

TOWARDS A GREENER COMMUNITY

Over the last 20 years, Tagaytay Highlands has conducted tree-planting activities such as the 'Plant Hope Gardens' in partnership with Lifestyle Asia Magazine; the company has also been given international recognition as a 'Friend of Biodiversity' through its partnership with the ASEAN Centre for Biodiversity. Vice-Chairman and Founder Willy Ocier's vision is to plant 1,000,000 trees through the annual 'One Tree at a Time' tree-planting activity. To date, more than 430,000 trees have been planted.

In order to conserve energy and as part of the Club's clean air campaign, electric powered golf carts are being used by golfers as they are transported throughout the golf courses. Further to energy-conservation efforts, the Club is likewise promoting the use of LED bulbs in their outdoor posts, offices and rooms; not only are LED bulbs energy efficient, they are also economical, last longer, durable and can withstand outdoor weather conditions, they are also ecologically friendly—free from toxic materials like mercury and 100% recyclable.

Recycling of rain water for watering the golf courses, gardens and plants is another initiative being practiced to conserve natural resources. In compliance with Tagaytay City's City Ordinance, the Club has likewise replaced the use of plastic bags with paper bags in the dining outlets and shops.

Recognizing the vital role corporations have in helping to preserve the environment, Belle Corporation has extended assistance to the World Wildlife Fund through a ₱2 Million donation. These funds will further WWW's efforts at natural conservation, protection of endangered species from extinction and the education and mobilization of individuals to actively participate in these endeavors towards a green future.

CORPORATE SOCIAL RESPONSIBILITY

ANNUAL MEDICAL AND DENTAL MISSIONS

Yearly medical and dental missions are Belle Corporation's undertakings to give back to the nearby communities in Tagaytay City, Batangas and Laguna provinces. Each mission is planned and executed in cooperation with the Club and real estate affiliate, Highlands Prime Inc., (HPI), as well as generous homeowners, Club members, Belle and HPI officers, employees, and various local organizations. Through such regular concerted efforts, town residents benefit from medical and dental check-ups as well as complimentary vitamins and over-the-counter medicine.

NATURAL CALAMITY AID

The country suffered the effects of two major natural calamities—the 7.2 intensity earthquake that devastated Bohol, and the Category 5 super typhoon Haiyan, the strongest tropical cyclone ever to make landfall on Planet Earth, which ravished parts of the country, particularly Eastern Visayas, affecting an estimate of 10 million Filipinos. Relief efforts were organized where Belle employees donated cash, clothes, food and basic hygiene items through the SM Foundation. Belle Corporation made a total donation of ₱2.5 Million for the benefit of the earthquake and super typhoon survivors.

Belle Corporation commits to the undertaking of more programs that will benefit not just Cavite, Laguna, Batangas and the surrounding communities in Tagaytay Highlands, but also in Parañaque City where the City of Dreams is set to open within the year 2014.

CORPORATE GOVERNANCE

Belle Corporation ('the Company") recognizes the key role of good corporate governance in the operations of its businesses, increasing shareholder value and sustaining growth. The Company's platform of governance remains rooted in its Manual on Corporate Governance and Code of 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.

BOARD OF DIRECTORS

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

The Company's Board of Directors is composed of eleven (11) directors, three (3) of whom are independent directors. The Company adopts the definition of independence from the Securities Regulation Code. An independent director is one who, except for his director's fees and shareholdings, is independent of management and free from any business or other relationship which, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the company.

The Chairman of the Board and the President are separate individuals, whose functions and responsibilities are laid out in the 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.

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 Manual of Corporate Governance.

BOARD COMMITTEES

To help focus on specific corporate governance responsibilities, the Board created 3 (three) committees, namely the Compensation and Remuneration Committee, the Nomination Committee, and the Audit and Risk Management Committee.

THE COMPENSATION AND REMUNERATION COMMITTEE

The Compensation and Remuneration Committee is tasked with the oversight of policies on salaries and benefits, as well as promotions and other forms of career advancement. The Committee also reviews existing human resource policies to ensure the continued growth and development of the Company's workforce. It is composed of five (5) members, one (1) of whom is an independent director in the person of Mr. Cesar E.A. Virata.

THE NOMINATION COMMITTEE

The Nomination Committee evaluates all candidates nominated to the Board in accordance with the requirements set forth by the Company's Manual on Corporate Governance. The Committee ensures that those nominated to the Board meet all the qualifications for directorship. The Nomination Committee is composed of four (4) members, one of whom is an independent director in the person of Mr. Washington Z. Sycip.

ATTENDANCE OF DIRECTORS IN ANNUAL STOCKHOLDERS' MEETINGS

DIRECTORS	Annual Stockholders' Meeting	
	2011	2012
Benito Tan Guat (Non-Executive Director) Chairman	✓	✓
Willy N. Ocier (Non-Executive Director) Vice Chairman	✓	✓
Rogelio R. Cabunag President	✓	✓
Cesar E.A. Virata (Independent Director)	✓	✓
Washington Z. Sycip (Independent Director) Chairman Nomination Committee	✓	✓
Gregorio U. Kilayko (Independent Director) Chairman Audit and Risk Management Committee	✓	✓
Jose T. Sio (Non-Executive Director)	✓	✓
Virginia A. Yap (Non-Executive Director)	✓	✓
Elizabeth Anne C. Uychaco (Non-Executive Director)	✓	✓
Jose T. Sio (Non-Executive Director)	✓	✓
Emilio S. De Quiros, Jr. (Non-Executive Director)	✓	✓
Virginia A. Yap (Non-Executive Director)	✓	✓
Jacinto C. Ng, Jr. (Non-Executive Director)	✓	✓

ATTENDANCE IN 2013 BOARD OF DIRECTORS' MEETINGS

DIRECTORS	Date of Meeting								Percentage
	Jan 28	Mar 06	Apr 22	Apr 22***	May 27	Jul 29	Oct 24	Dec 17	
Benito Tan Guat	✓	✓	✓	✓	✓	✓	✓	✓	100%
Willy N. Ocier	✓	✓	✓	✓	✓	✓	✓	✓	100%
Rogelio R. Cabunag*	✓	✓	✓						100%
Frederic C. DyBuncio**				✓	✓	✓	✓	✓	100%
Cesar E.A. Virata	✓	✓	✓	✓	✓	✓	✓	✓	100%
Washington Z. Sycip	✓	✓	✓	✓	✓	✓	✓	✓	100%
Gregorio U. Kilayko	✓	✓	✓	✓	✓	✓	✓	✓	100%
Jose T. Sio	✓	✓	✓	✓	✓	✓	✓	✓	100%
Virginia A. Yap	✓	✓	✓	✓	✓	✓	✓	✓	100%
Elizabeth Anne C. Uychaco	✓	✓	✓	✓	✓	✓	✓	✓	100%
Jose T. Sio	✓	✓	✓	✓	✓	✓	✓	✓	100%
Emilio S. De Quiros, Jr.	✓	✓	✓	✓	✓	✓	✓	✓	100%
Virginia A. Yap	✓	✓	✓	✓	✓	✓	✓	✓	100%
Jacinto C. Ng, Jr.	✓	✓	✓	✓	✓	✓	✓	✓	100%

Note: * Term ended on April 22, 2013
** Elected on April 22, 2013
*** Organizational Meeting

CORPORATE GOVERNANCE

THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee directly interfaces with the internal and external auditors, in the conduct of their duties and responsibilities. Its mandate includes the review of the Company's financial reports and subsequent recommendation to the Board for approval. The Committee also reviews the Company's internal control systems, its audit plans, auditing processes and related party transactions. Under its Charter, the Committee also reviews and assesses the effectiveness of the Company's risk management system in the mitigation of financial and non-financial risks. The Committee is composed of four (4) members, two (2) of whom are independent directors in the person of Mr. Cesar E.A. Virata and the Committee Chairman, Mr. Gregorio U. Kilayko.

ENTERPRISE RISK MANAGEMENT (ERM)

The Board of Directors is tasked to oversee the risk management system of the Company through the Audit and Risk Management Committee. The ERM Committee, chaired by the Chief Financial Officer, developed a Risk Matrix for the Company. This Matrix identified the basic risks for each business unit, provided an assessment on probabilities and impact, and defined risk response or actions that may be applied to mitigate those risks. The ERM Matrix is reviewed and updated annually.

BOARD PERFORMANCE

Regular meetings of the Board are held regularly, but special meetings may be called by the Chairman, the President and CEO, or the 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 ground for temporary disqualification in the succeeding election. During 2013, all of the Company's Directors have complied with all requirements.

EVALUATION OF THE BOARD AND PRESIDENT & CEO

To ensure its members continue to perform at the highest level of integrity and professionalism, the Company's Board of Directors conducts an annual self-evaluation and evaluation of the President & CEO. Each member of the Board is asked to rate himself / herself, the performance of the Board as a whole, and the President & CEO's performance for the past year. The evaluation is based on the duties and responsibilities of the Board and the President & CEO under the

Company's Manual on Corporate Governance and By-Laws.

Directors are also asked to identify areas for improvement, such as trainings, programs or any other forms of assistance that they may need in the performance of their duties. The evaluation forms also include items on support services given to the Board, such as the quality and timeliness of the information provided to them, the frequency and conduct of regular, special or committee meetings, and their accessibility to Management, the Corporate Secretary and Board Advisors. The Board then reviews and evaluates the results of the evaluation, discussing possible changes that will enhance the performance of the individual directors, the support services given and the Board as a collective body.

BOARD REMUNERATION

Members of the Board of Directors receive per diem of P10,000 (P50,000 for independent directors) for each regular or special Board meeting of Board Committee meeting attended. The amount of the per diem is openly discussed during the Annual Stockholders' Meeting and approved by the Company's shareholders. Total compensation paid to directors is disclosed annually in the Definitive Information Statement sent to shareholders, together with the Notice of the Annual Stockholders' Meeting.

POLICIES

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

MANUAL ON CORPORATE GOVERNANCE

The 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 of Directors 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. It likewise sets the penalties for non-compliance with the Manual.

The Company's Manual on Corporate Governance is regularly reviewed to ensure compliance with regulatory advancements and to keep pace with the constant development of corporate governance best practices.

CODE OF ETHICS

The Code of 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.

The Code stresses the importance of integrity in the relationships and dealings with business partners, the Company's duties regarding employee welfare, the rights of shareholders, the protection of Company information assets and promotes corporate social responsibility.

GUIDELINES IN THE ACCEPTANCE OF GIFTS

Based on the provision of the Code of Ethics, the Company's directors, officers and employees are prohibited from soliciting or accepting gifts in any form from any business partner. 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.

RELATED PARTY TRANSACTIONS

The Company discloses in detail the nature, extent and all other material information on transactions with related parties in the Company's financial statements and quarterly and annual reports to the SEC and PSE. (Please visit the Company's website www.bellecorp.com to access financial statements and reports.)

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

DISCLOSURE AND TRANSPARENCY

To ensure that stakeholders receive timely and accurate information on the Company and its business, the Company has formally adopted a policy of full and prompt disclosure of all material information in its Manual on Corporate Governance and Code of Ethics. In line with this, the Company regularly updates its website and ensures prompt disclosures.

The Company conducts regular briefings and meetings with investors, analysts and the press to keep them updated on the Company's various projects, financial and operational results. The presentation materials at these briefings as well as the Company's SEC and PSE reports and annual reports may be viewed and downloaded from the website. (Please visit the Company's website www.bellecorp.com for access to disclosures, write-ups and other company information.)

THE ANNUAL STOCKHOLDERS' MEETING

The Annual Stockholders' Meeting (ASM) demonstrate the Company's commitment to uphold the rights of its shareholders by serving as a venue for them to raise concerns, give suggestions and vote on relevant issues. Voting methods are clearly defined and explained to shareholders to ensure the observance of their voting rights and continued participation in the voting process. Under the Company's By-Laws and Manual on Corporate Governance and in accordance with certain laws, shareholders may cumulatively vote for the election, removal or replacement of Board of Directors. Proxy voting is permitted and facilitated through proxy forms which are distributed to shareholders prior to the ASM. To encourage shareholders to apply their right to vote through proxy forms, notarization of such is not required.

Shareholders are also given the opportunity to vote on certain corporate acts in accordance with the law. These resolutions, along with shareholder questions and their corresponding responses are recorded in the minutes of the ASM. To ensure that all shareholders concerns are properly addressed, the Chairman of the Board, Board of Directors, The President & CEO, Board Committee Chairmen and Members, Senior Management, Corporate Secretary and the External Auditor are always present during the ASM.

Prior to the ASM, shareholders are furnished a copy of the annual report, including financial statements, and all relevant information about the current and nominated directors and key officers.

MOVING FORWARD

Belle Corporation's culture of good governance continues to move in stride with the advancement of best practices and standard in the country and region. Moving forward, the Company manifests its commitment to corporate governance through the continuous review, benchmarking vis-à-vis industry and improvement of its corporate governance related policies. It will continue to enhance its training and align its systems and operations toward best practice.

The Company will continue to participate and network with the public and private sectors that share the aspiration to improve the performance of the Philippines in regards to good governance.

BOARD OF DIRECTORS

BENITO TAN GUAT

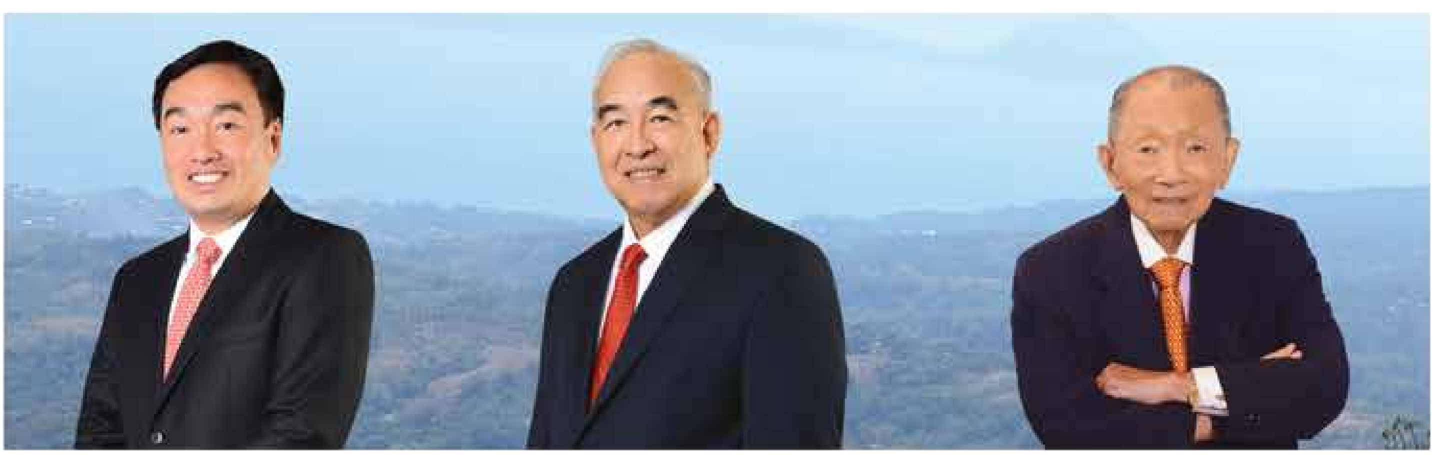
Mr. Tan Guat is the Chairman of the Company. Currently, he is the President and Chief Executive Officer of Eastern Securities Development Corporation.

WILLY N. OCIER

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

ELIZABETH ANNE C. UYCHACO

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



FREDERIC C. DYBUNCIO

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

EMILIO S. DE QUIROS, JR.

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

WASHINGTON Z. SYCIP

Mr. SyCip, 92, is an Independent Director of the Company. He is the Founder of SGV, the Philippines' largest professional services firm. He is also one of the Founders and Chairman Emeritus of the Asian Institute of Management; member of the Board of Overseers of the Graduate School of Business at Columbia University; Honorary Chairman of the Euro-Asia Centre of INSEAD in Fontainebleau, France; Honorary Life Trustee of The Asia Society; and member of the Board of Directors of a number of major corporations in the Philippines and other parts of the world.

Mr. SyCip served as President of the International Federation of Accountants (1982-1985), member of the International Advisory Board of the Council on Foreign Relations (1995-2010), Vice Chairman of the Board of Trustees of The Conference Board (2000-2004), and Chairman of the Asia Pacific Advisory Committee of the New York Stock Exchange (1997- 2004). He also served on the International Boards of the American International Group, AT&T, Australia & New Zealand Bank, Caterpillar, The Chase Manhattan Bank, Owens-Illinois, Pacific Dunlop and United Technologies Corporation, among others. He was a member of the Board of Trustees of the Ramon Magsaysay Award Foundation (2005-2008) and Eisenhower Exchange Fellowship (1999-2010).

JACINTO C. NG, JR.

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

GREGORIO U. KILAYKO

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

JOSE T. SIO

Mr. Sio is a Certified Public Accountant and obtained his Master's Degree in Business Administration (MBA) from New York University, USA. He finished his Bachelor of Science degree in Commerce, Major in Accounting, from the University of San Agustin, Iloilo City. Mr. Sio is a Director of SM Investments Corporation, China Banking Corporation, SM Keppel Land, Inc., as well as other companies within the SM Group. He is also Adviser to the Board of Directors of BDO Unibank, Inc., and SM Development Corporation and President of SM Foundation, Inc. and GlobalFund Holdings, Inc. He was a Senior Partner at Sycip Gorres Velyo & Co from 1977 to 1990. He was voted as CFO of the Year in 2009 by the Financial Executives of the Philippines. Mr. Sio was also awarded as Best CFO (Philippines) by Alpha Southeast Asia in 2013 and by Corporate Governance Asia in 2014, both published in Hong Kong.

CESAR E.A. VIRATA

Mr. Virata is an Independent Director of the Company. He is the President and Principal Consultant of C. Virata & Associates, Inc., Management Consultants. He is currently the Vice Chairman of Rizal Commercial Banking Corporation (RCBC); and Director of RCBC subsidiaries and some affiliates. He is also an Independent Director of Lopez Holdings Corporation, City & Land Development Corporation and Business World. He is also a Trustee in a number of Foundations devoted to helping in the fields of education, science and public health. Mr. Virata was formerly the Minister of Finance and Prime Minister of the Philippines.

VIRGINIA A. YAP

Ms. Yap is a Director of the Company. She is also a member of the Company's Executive and Nomination Committees. She holds key positions in the SM Group of Companies.

BOARD COMMITTEES

Executive Committee	
Willy N. Ocier	Chairman
Elizabeth Ann C. Uychaco	Member
Frederic C. DyBuncio	Member
Jacinto C. Ng, Jr.	Member
Virginia A. Yap	Member
Audit and Risk Management Committee	
Gregorio U. Kilayko	Chairman (Independent Director)
Cesar E.A.Virata	Member (Independent Director)
Jacinto C. Ng, Jr.	Member
Virginia A. Yap	Member
Nomination Committee	
Washington Z. Sycip	Chairman (Independent Director)
Willy N. Ocier	Member
Jose T. Sio	Member
Virginia A. Yap	Member
Compensation and Renumeration Committee	
Willy N. Ocier	Chairman
Frederic C. DyBuncio	Member
Cesar E.A. Virata	Member (Independent Director)
Emilio De Quiros, Jr.	Member
Elizabeth Anne C. Uychaco	Member
Compliance and Corporate Information Officer	
Manuel A. Gana	

EXECUTIVE OFFICERS

From left to right:

CLAIRE T. KRAMER
Head - Business Unit, Clubs

MANUEL A. GANA
Executive Vice President and
Chief Financial Officer

FREDERIC C. DYBUNCIO
President and Chief Executive Officer

WILLY N. OCIER
Vice Chairman

ARMIN R. SANTOS
Head - Business Unit, Integrated Resorts

MARY ELEANOR A. MENDOZA
Head - Business Unit, Project Development
and Sales and Marketing

ATTY. BAYANI K. TAN
Corporate Secretary

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Selected Financial and Operating Data

CONSOLIDATED INCOME STATEMENT
(Amount in Millions)

	2013	2012	2011	2010	2009
Real Estate Operations:					
Gross revenues	**₱2,624.2**	₱494.4	₱775.4	₱1,263.1	₱1,403.2
Cost of real estate and club shares sold	**(175.7)**	(190.1)	(314.8)	(509.0)	(566.3)
Gross margin	**2,448.5**	304.3	460.6	754.1	836.9
General and administrative expense	**(638.9)**	(275.4)	(233.1)	(221.4)	(305.4)
Income from real estate operations	**1,809.6**	28.9	227.5	532.7	531.5
Equity in net earnings of associates	**119.9**	288.7	140.5	156.2	117.9
Financial and other income (expenses) - net [1]	**3,043.9**	396.3	(142.3)	(146.7)	(189.4)
Tax provisions	**(1,333.5)**	(158.1)	(23.7)	(76.6)	(73.9)
Minority interest	**(3.7)**	(0.1)	(0.1)	(0.1)	(0.1)
Consolidated net income after taxes	**3,636.2**	555.7	201.9	465.5	386.0

CONSOLIDATED BALANCE SHEET DATA
(Amount in Millions)

	2013	2012	2011	2010	2009
Total assets	**₱31,553.8**	₱25,462.4	₱22,647.1	₱10,528.1	₱9,973.5
Total debt	**5,792.8**	6,800.9	4,715.4	2,708.1	2,564.5
Total liabilities [2]	**11,346.8**	8,839.0	6,563.7	4,349.8	4,273.6
Equity [3]	**20,207.1**	16,623.4	16,083.4	6,178.3	5,699.9

1. Inclusive of net foreign exchange loss of ₱86.2 million, Day 1 gain on finance lease amounting to ₱2,324.4 million and gain on share swap amounting to ₱772.2 million in 2013, net foreign exchange loss of ₱36.7 million in 2012, net foreign exchange gain of ₱270 thousand in 2011, ₱51.5 million in 2010 and ₱28.9 million in 2009, mainly due to US$ denominated deposits and loans. For foreign exchange translation purposes, exchange rates used were ₱44.40:US$1 as of December 31, 2013, ₱41.05:US$1 as of December 31, 2012, ₱43.84:US$1 as of December 31, 2011 and December 31, 2010, and ₱46.20:US$1 as of December 31, 2009.

2. Including total debt.

3. Net of minority interest.

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

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

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

REVENUES

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

The lease agreement with Melco for casino building phase 1 has been accounted for under finance lease, in accordance with Philippine Accounting Standards 17 (PAS 17). Under the finance lease, Belle recognized finance lease receivable measured at present value of the minimum lease payments, and derecognized the cost of the related asset. The excess of the present value of minimum lease payments over cost of the asset amounting to ₱2,324.4 million was recognized as one-time "Day 1 Gain on finance lease". Under PAS 17, the building lease is treated as a theoretical sale under a capital lease arrangement, notwithstanding the fact that Belle is not relinquishing ownership of any and all property being leased to MCE. The Company has been devoting significant resources to development activities connected with its integrated resort project located in Aseana Business Park in Parañaque City, which will be named "City of Dreams Manila" and is targeted for its Grand Opening within 2014. City of Dreams Manila, which carries the brand name of MCE's flagship resort in Macau's Cotai Strip, will be operated by MCE through an operating agreement with Belle and its wholly-owned subsidiary, PremiumLeisure and Amusement, Inc. ("PLAI").

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

Cost of Real Estate and Club Shares Sold

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

Cost of Services of Property Management

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

General and Administrative Expenses

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

Financial Income and Expenses

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

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

Equity in Net Earnings of Associates

The Company's equitized net earnings from associated companies decreased by ₱176.4 million (61%) to ₱119.9 million in 2013, from ₱288.7 million in 2012. Pacific Online Systems Corporation ("POSC"), owned 35%

by Belle during 2013, brought equitized earnings of ₱113.1 million out of net income of ₱323.7 million in 2013, compared to equitized earnings of ₱142.1 million out of net income of ₱406.8 million in 2012. POSC leases on-line equipment to the Philippine Charity Sweepstakes Office for their lottery operations located mostly in Visayas and Mindanao. Woodland Development Corporation ("WDC"), Belle's 47%-owned associate, brought equitized earnings of ₱3.8 million out of net income of ₱8.0 million in the 2013 period, compared to equitized earnings of ₱135.0 million out of net income of ₱287.3 million in the 2012 period. The significant decrease in net income of WDC during 2013 was due to a one-time gain on sale of land to SM Development Corporation recognized in 2012.

Gain on Liquidating Dividend

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

Net Foreign Exchange Loss

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

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

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

Provision for Income Tax

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

Net Income

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EQUITY
The Company's shareholders' equity as of December 31, 2013 of ₱20,207.1 million was higher by ₱3,583.7 million (21%), compared to the year-end 2012 level of ₱16,623.4 million, due mainly to the consolidated net income recorded in 2013. The Company thus attained consolidated retained earnings of ₱4,533.7 million as of December 31, 2013, compared to consolidated retained earnings of ₱893.8 million as of December 31, 2012. Of the Company's retained earnings at year-end 2013, approximately ₱417.7 million is estimated to be allowable for dividend declarations, inasmuch as accounting income arising from

the Day 1 Gain, the Swap Gain and PAS 17 finance lease interest income are not considered eligible and/or appropriate for immediate dividend declarations.

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

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

The Company does not foresee any cash flow or liquidity problems over the next twelve months. Of the ₱5,792.8 million in Company's loans payable as of December 31, 2013, ₱200.5 million are comprised of short-term bank borrowings that have historically been mostly renewed or rolled-over, with Belle paying only the interest. The balance of ₱4,000.0 million comprises of ABLGI Advance which the terms and repayment periods of the ABLGI advances will be determined upon the signing of the implementing agreement. As of March 8, 2014, the Company and ABLGI have not yet finalized its implementing agreement. Belle anticipates increases in its cash flow during 2014 arising from the turnover of Phase 2 of City of Dreams Manila to MCE, and the opening of City of Dreams Manila. Moreover, Belle also has a number of revenue-generating real estate projects in the pipeline to further enhance cash flow in the future. Meanwhile, the Company continues to be in compliance with the terms of all of its debt obligations.

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

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

  Under the Provisional License granted to PLAI, the parties in Consortium (PLAI, Belle and MCE Leisure) are committed to invest a minimum of US$1.0 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 $150 million) and the development costs of the infrastructures and facilities within the Project. The integrated resort is expected to open in the 4th quarter of 2014. As agreed in the Cooperation Agreement between Belle, PLAI and MCE Leisure, the $650 million investment commitment will be shared 50-50 between Belle and MCE Leisure. As of December 31, 2013, Belle has a total investment of $281.9 million of the $325.0 million share in the investment commitment with PAGCOR. Belle funded, and will fund its required capital expenditures from the cash proceeds raised from the September 2011 stock rights offering and loans;
- Any Known Trends, Events or Uncertainties (Material Impact on Sales); and
- Any Significant Elements of Income or Loss (from continuing operations)

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

December 31, 2012 versus December 31, 2011 Results of Operations (in thousands)

	Years Ended		Horizontal Analysis		Vertical Analysis	
	2012	2011	**Inc (Dec)**	%	**2012**	2011
REVENUE						
Sale of real estate and shares	**₱323,563**	₱520,176	**(₱196,613)**	-37.8%	**65.4%**	67.1%
Lease income	**18,427**	62,070	**(43,643)**	-70.3%	**3.7%**	8.0%
Revenue from property management	**95,272**	97,530	**(2,258)**	-2.3%	**19.3%**	12.6%
Others	**57,171**	95,574	**(38,403)**	-40.2%	**11.6%**	12.3%
	494,433	775,350	**(280,917)**	-36.2%	**100.0%**	100.0%
COST OF REAL ESTATE AND CLUB SHARES SOLD	**(117,152)**	(235,983)	**(118,831)**	-50.4%	**-23.7%**	-30.4%
COST OF SERVICES OF PROPERTY MANAGEMENT	**(72,943)**	(78,829)	**(5,886)**	-7.5%	**-14.8%**	-10.2%
GENERAL AND ADMINISTRATIVE EXPENSES	**(275,450)**	(233,065)	**42,385**	18.2%	**-55.7%**	-30.1%
EQUITY IN NET EARNINGS OF ASSOCIATES	**288,730**	140,484	**148,246**	105.5%	**58.4%**	18.1%
INTEREST EXPENSE	**(128,151)**	(158,160)	**(30,009)**	-19.0%	**-25.9%**	-20.4%
NET FOREIGN EXCHANGE LOSS	**(36,718)**	270	**(36,988)**	-13699.3%	**-7.4%**	0.0%
INTEREST INCOME	**116,453**	28,498	**87,955**	308.6%	**23.6%**	3.7%
GAIN ON LIQUIDATING DIVIDEND	**539,671**	-	**539,671**	100.0%	**109.1%**	0.0%
OTHER CHARGES -net	**(95,064)**	(12,910)	**82,154**	636.4%	**-19.2%**	-1.7%
INCOME BEFORE INCOME TAX	**713,809**	225,655	**488,154**	216.3%	**144.4%**	29.1%
PROVISION FOR INCOME TAX						
Current	**79,154**	15,972	**63,182**	395.6%	**16.0%**	2.1%
Deferred	**78,992**	7,758	**71,234**	918.2%	**16.0%**	1.0%
	158,146	23,730	**134,416**	566.4%	**32.0%**	3.1%
NET INCOME	**₱555,663**	₱201,925	**₱353,738**	175.2%	**112.4%**	26.0%

Revenues
Gross revenue from sales of real estate and club shares for 2012 of ₱323.6 million was lower by ₱196.6 million (38%), compared to ₱520.2 million during 2011. Gross profit from sales of real estate and club shares for 2012 of ₱206.4 million was also lower than gross profit there from during 2011 of ₱284.2 million by ₱77.8 million (27%), due to the lower sales of real estate and club shares. There were no additional real estate projects launched by the Company in 2012. In 2011, Belle introduced Lakeside Fairways Phase 8 (Sycamore Heights), with more than 23 hectares of gross saleable area and 309 residential lots and extensions of existing projects, namely three new pads for log cabins at The Woodlands and nine new lots in Lakeside Fairways Phase 6 (Cotswold). These project extensions will carry total potential sales of about ₱225.0 million. The Company's project launches during 2010 (Nob Hill and Yume) comprised a total of approximately 162 saleable lots and 70,741 sqm in saleable area also contributed some revenues for 2011. During 2012 and 2011, the Company has been devoting significant resources to development activities connected with its integrated resort project located in Parañaque City, which is targeted for its grand opening in 2014. During the year ended December 31, 2012, the Company recorded net rental income of ₱18.4 million on land and buildings leased by the Company to ABLGI.

Cost of Real Estate and Club Shares Sold
Cost of real estate and clubs shares sold decreased by ₱118.8 million (50%) to ₱117.2 million in 2012 from ₱236.0 million in 2011 due mainly to lower unit sales of real estate and club shares sold in 2012.

General and Administrative Expenses
The increase by ₱42.8 million (18%), from ₱233.1 million in 2011 to ₱275.5 million in 2012, was caused by the following: additional salaries and consultancy expenses incurred by its wholly owned subsidiary, PLAI, higher office rental expense, marketing expenses and registration fees. The increase was partially offset by lower taxes and licenses and professional fees.

Financial Income (Expense)
Interest expense decreased by ₱30.0 million (19%), from ₱158.2 million in 2011to ₱128.2 million in 2012, due to lower interest rates. The Company also capitalized borrowing costs amounting to ₱26.5 million in 2012 and ₱54.0 million in 2011 from general borrowings.

Interest income increased by ₱88.0 million (309%), from ₱28.5 million in 2011 to ₱116.5 million in 2012, due to placement of funds. The significant increase in 2012 fund level of the Company was brought by new long-term loan drawdown of ₱2,254.0 million and proceeds from the subscription receivable of ₱2,082.9 million received in 2012 from last year's stock rights offering.

Equity in Net Earnings of Associates
The Company's equitized net earnings from associated companies increased by ₱148.2 million (106%) to ₱288.7 million in 2012, from ₱140.5 million in 2011. Woodland Development Corporation (WDC), Belle's 47% owned associate, brought equitized earnings of ₱135.0 million out of net income of ₱287.3 million in the 2012 period, compared to equitized earnings of ₱2.9 million out of net income of ₱6.1 million in the 2011 period. The increase in net income of WDC was brought about by the gain on its sale of land to SM Development Corporation. Other equitized earnings were from its 36%-owned associate, Highlands Prime, and from its 35%-owned associate, Pacific Online. Highlands Prime is also engaged in real estate development within the Tagaytay Highlands and Midlands complexes, while Pacific Online leases on-line equipment to the Philippine Charity Sweepstakes Office for their lottery operations in the Visayas and Mindanao.

Gain on Liquidating Dividend
In November 2012, the Company received its assigned land valued at ₱1,064.3 million (including the amount of transfer taxes and registration fees paid totaling to ₱10.1 million), with 42,166 square meters in area as liquidating dividend. The receipt of the land from BBCC as liquidating dividend resulted in the cancelation of Belle's investments in BBBC and recognition of gain on liquidating dividend of ₱539.7 million.

Net Foreign Exchange Loss
Based on the closing exchange rate of the Philippine Peso against the US Dollar of ₱41.05:US$1.00 as of December 31, 2012, the Company posted a ₱97.7 million foreign exchange translation loss from its foreign currency-denominated deposits, mainly its US$50 million Escrow Fund being maintained at Banco de Oro in compliance with requirements under its Provisional License from PAGCOR (which was set up on February 23, 2012 at an exchange rate of ₱43.02:US$1.00). The foreign currency loss from foreign currency-denominated deposits was offset by a foreign exchange translation gain from its US$22.0 million Floating Rate Notes, amounting to ₱61.4 million, based on the exchange rate of ₱41.05:US$1.00 as of December 31, 2012 compared to ₱43.84:US$1.00 as of December 31, 2011. During 2011, the Company realized a foreign exchange translation gain of ₱0.3 million.

Provision for Income Tax
Current provision for income tax was higher by ₱63.2 million, to ₱79.2 million from ₱16.0 million in 2011, due to the capital gains tax paid under protest amounting to ₱63.2 million for the transfer of 42,166 square meters of land from BBCC as Belle's liquidating dividend.

Deferred income tax increased by ₱71.2 million, to ₱78.9 million in 2012 from ₱7.8 million in 2011, mainly due to the additional deferred tax liability recognized for capitalized borrowing costs of ₱74.1 million. The increase in deferred tax liabilities in 2012 was partly offset by the deferred tax asset recognized on additional minimum corporate income tax of ₱7.2 million.

Net Income
As a result of the foregoing, Belle realized consolidated net income of ₱555.7 million for the year ended December 31, 2012. This is ₱353.7 million (175%) higher than the consolidated net income of ₱200.5 million for the year ended December 31, 2011. Moreover, the Company's consistent profitability has allowed it to post positive consolidated retained earnings of ₱893.8 million as of December 31, 2012.

December 31, 2012 vs December 31, 2011 Statement of Financial Position (in thousands)

	December		Horizontal Analysis		Vertical Analysis	
	2012	2011	**Inc (Dec)**	%	**2012**	2011
ASSETS						
Cash and cash equivalents	**₱1,419,711**	₱2,766,880	(₱1,347,169)	-48.7%	**5.6%**	12.2%
Short-term Investments	**965**	9,668	(8,703)	-90.0%	**0.0%**	0.0%
Receivables	**1,352,972**	930,124	422,848	45.5%	**5.3%**	4.1%
Subscription receivable	**-**	2,082,920	(2,082,920)	-100.0%	**0.0%**	9.2%
Real estate for sale -at cost	**2,901,335**	3,036,153	(134,818)	-4.4%	**11.4%**	13.4%
Club shares -at cost	**2,812,642**	2,786,148	26,494	1.0%	**11.0%**	12.3%
Investments in and advances to associates -net	**1,883,059**	2,118,166	(235,107)	-11.1%	**7.4%**	9.4%
Available-for-sale financial assets	**28,619**	22,336	6,283	28.1%	**0.1%**	0.1%
Held-to-maturity investments	**750,000**	-	750,000	0%	**2.9%**	0.0%
Advances to relatedparties - net	**482,469**	457,764	24,705	5.4%	**1.9%**	2.0%
Investment properties	**5,584,824**	2,434,194	3,150,630	129.4%	**21.9%**	10.7%
Property and equipment	**160,283**	175,599	(15,316)	-8.7%	**0.6%**	0.8%
Intangible assets	**5,261,186**	5,261,186	-	0.0%	**20.7%**	23.2%
Escrow fund	**2,064,450**	-	2,064,450		**8.1%**	0.0%
Pension asset	**1,643**	3,568	(1,925)	-54.0%	**0.0%**	0.0%
Other assets	**758,284**	562,390	195,894	34.8%	**3.0%**	2.5%
Total Assets	**₱25,462,442**	₱22,647,096	₱2,815,346	12.4%	**100.0%**	100.0%

(Forward)

	December		Horizontal Analysis		Vertical Analysis	
	2012	2011	**Inc (Dec)**	%	**2012**	2011
LIABILITIES AND EQUITY						
Liabilities						
Loans payable	**₱2,081,714**	₱2,155,857	(₱74,143)	-.4%	**8.2%**	9.5%
Accounts payable and other liabilities	**1,869,808**	1,750,935	118,873	6.8%	**7.3%**	7.7%
Income tax payable	**416**	8,258	(7,842)	-95.0%	**0.0%**	0.0%
Deferred tax liabilities - net	**167,944**	89,045	78,899	88.6%	**0.7%**	0.4%
Long-term debt	**4,719,165**	2,559,584	2,159,581	84.4%	**18.5%**	11.3%
Total Liabilities	**8,839,047**	6,563,679	2,275,368	34.7%	**34.7%**	29.0%
Equity						
Attributable to equity holders of the parent:						
Preferred stock	**1,000,000**	1,000,000	-	0.0%	**3.9%**	4.4%
Common stock	**10,559,383**	9,170,770	1,388,613	15.1%	**41.5%**	40.5%
Subscribed Stock	**-**	1,388,613	(1,388,613)	-100.0%	**0.0%**	6.1%
Additional paid - in capital	**5,503,731**	5,503,731	-	0.0%	**21.6%**	24.3%
Equity share in cost of Parent Company shares held by associates	**(731,696)**	(731,696)	-	0.0%	**2.9%**	-3.2%
Cost of Parent Company shares held by subsidiaries	**(562,375)**	(497,758)	64,617	-13.0%	**-2.2%**	-2.2%
Unrealized gain on available-for-sale financial assets - net	**14,868**	8,585	6,283	73.2%	**0.1%**	0.0%
Other reserves	**(1,225)**	(43,874)	42,649	-97.2%	**0.0%**	-0.2%
Retained Earnings	**893,813**	338,093	555,720	164.4%	**3.5%**	1.5%
Total Equity Attributable to Equity Holders of the Parent	**16,676,499**	16,136,464	669,269	4.1%	**65.5%**	71.3%
Non - Controlling Interests	**(53,104)**	(53,047)	(57)	0.1%	**- 0.2%**	- 0.2%
Total Equity	**16,623,395**	16,083,417	539,978	3.4%	**65.3%**	71.0%
Total Liabilities and Equity	**₱25,462,442**	₱22,647,096	₱2,815,346	12.4%	**100.0%**	100.0%

ASSETS
Total assets of the Company increased by ₱2,815.3 million (12%), to ₱25,462.4 million as of December 31, 2012, from ₱22,647.1 million as of December 31, 2011, due to the increases in value of investments (Escrow Fund amounting to US$50 million, with a Peso equivalent of ₱2,064.5 million, and held-to-maturity investments amounting to ₱750.0 million) and increases in investment properties for the construction of its integrated resort project in Parañaque City.

Cash and cash equivalents
Cash and cash equivalents decreased by ₱1,347.2 million (49%), from ₱2,766.9 million as of December 31, 2011 to ₱1,419.7 million as of December 31,2012, due mostly to: (i) investment in Escrow Fund of ₱2,064.5 million; (ii) investment in held-to-maturity investments of ₱750.0 million; (iii) expenditures on the construction of its integrated resort project of ₱2,077.8 million; and (iv) payment of capital gains tax under protest of ₱63.2 million for the transfer of land from BBCC as a liquidating dividend to Belle. The decrease in cash and cash equivalents was offset by the proceeds from the subscriptions receivable from the stock rights offering of ₱2,082.9 million and additional loan proceeds of ₱2,222.3 million.

Receivables
Receivables increased by ₱422.8 million (45%), to ₱1,353.0 million in 2012 from ₱930.1 million in 2011, the increase was mainly due to receivables from its operating partners in the integrated resort project.

Real Estate for Sale and Club Shares
Real estate for sale decreased by ₱134.8 million (4%), to ₱2,901.3 million in 2012 from ₱3,036.2 million in 2011, due to the sales made during the year.

Club shares held by the Company, valued at historical cost, increased by ₱26.5 million (1%), to ₱2,812.6 million in 2012 from ₱2,786.1 million in 2011 due to additional development spending on Tagaytay Midlands Golf Course. The increases in the club shares were offset by the sale of clubs during the year.

Investments in and Advances to Associates
Investments and advances decreased by ₱235.1million (11%), to ₱1,883.1 million in 2012 from ₱2,118.2 million in 2011, due mainly to the liquidation of its investments in Belle Bay City Corporation (BBCC).In November 2012, the Company received its assigned land valued at ₱1,064.3 million (including the amount of transfer taxes and registration fees paid totaling to ₱10.1 million), with 42,166 square meters in area as a liquidating dividend. The receipt of the land from BBCC as a liquidating dividend resulted in the cancelation of Belle's investments in BBBC and recognition of a gain on liquidating dividend of ₱539.7 million. The decrease in the investment in and advances to Associates in 2012 for the liquidation of BBCC was offset by the additional equity in net earnings recognized in 2012 amounting to ₱288.7 million.

Investment properties
Investment properties increased by ₱3,150.6 million (129%) to ₱5,584.8 million from ₱2,434.2 million in 2011. The increases were due to the land received from BBCC as liquidating dividend valued at ₱1,064.3 million (including the amount of transfer taxes and registration fees paid totaling to ₱10.1 million), and from the continuing construction of the integrated resort project in Parañaque City. During the year, the Company spent ₱2,096.4 million in construction costs for the project's structures that will contain the six hotel towers and retail facilities.

LIABILITIES
Total liabilities increased by ₱2,273.8 million (35%) to ₱8,842.2 million as of December 31, 2012, from ₱6,568.5 million as of December 31, 2011, mainly due to the borrowings for the construction of the integrated resort project.

Loans Payable and Long-Term Debt
Total debt amounting to ₱6,800.9 million as of December 31,2012 were comprised mostly of Peso loans from various local financial institutions, with interest at an approximate range of 3.1% to 4.6% per annum amounting to ₱2,081.7 million, foreign-currency denominated Floating Rate Notes ("FRNs"), with a peso equivalent amounting to ₱903.6 million and peso long-term debt of ₱3,927.0 million. The FRNs have a principal amount of US$22 million due on May 10, 2014 and carry interest at 2% per annum above the six-month LIBOR.

Total debt increased by ₱2,085.5 million (44%), from ₱4,715.4 million in 2011 to ₱6,800.9 million in 2012, due to the availment of new peso long-term loans for the construction of the integrated resort project.

Accounts payable and other liabilities
Accounts payable and other liabilities increased by ₱118.9 million (7%), to ₱1,869.8 million in 2012 compared to ₱1,750.9 million in 2011. Comprising accounts payable and other liabilities are principally trade payables of ₱1,033.3 million, advances from related parties of ₱183.3 million, accrued expenses of ₱463.7 million, nontrade payables of ₱161.0 million and

customers' deposits of ₱28.5million in 2012. The increase in the accounts payable and other liabilities is attributed mainly to the construction of the integrated resort project.

EQUITY

The Company's stockholders' equity as of December 31, 2012 of ₱16,623.4 million was higher by ₱544.0 million (3%) compared to the year-end 2011 level of ₱16,083.4 million, with the increase mainly attributed to the net income of ₱555.7 million for 2012. Due to its consistent profitability, the Company had consolidated retained earnings of ₱893.8 million as of December 31, 2012, compared to consolidated retained earnings of ₱338.2 million as of December 31, 2011.

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

	The manner by which the Company calculates the performance indicators	Dec 31, 2012	Dec 31, 2011
Asset-to-equity ratio	Total assets / Total Equity	1.53 : 1:00	1.41 : 1.00
Current or Liquidity Ratio	Current assets / Current Liabilities	1.85 :1.00	2.55 : 1.00
Debt-to-equity ratio	Interest-bearing debt / Equity	0.41 : 1.00	0.29 : 1.00
Net debt-to-equity ratio	Interest-bearing debt less cash and cash equivalents, HTM investments and escrow fund Equity	0.15 : 1.00	0.12 : 1.00
Interest rate coverage ratio	Earnings Before Interest and Taxes / Interest Expense	6.69 : 1.00	2.41 : 1.00
Return on assets	Net income / Average Total Assets during the period	2.3%	1.2%
Return on equity	Net income / Average Equity during the period	3.4%	1.8%

The Company does not foresee any cash flow or liquidity problems over the next twelve months. The ₱2,081.7 million of debt obligations classified as loans payable have historically been mostly renewed or rolled-over, while the ₱3,927.0 million long-term debt from the ₱5.6 billion project finance facility from Banco de Oro Unibank for the integrated resort project, will be amortized over a 5-year period starting April 2013. The Company's US$22 million Floating Rate Notes, with a Peso equivalent of ₱903.6 million, is due on May 10, 2014. Aside from the planned integrated resort project, Belle also has a number of revenue-generating real estate projects in the pipeline to enhance cash flow. Meanwhile, the Company continues to be in compliance with the terms of all of its debt obligations.

As of December 31, 2012, 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:

- Known trends, demands, commitments, events or uncertainties that would have a material impact on the Company;
- Material commitments for capital expenditures that are reasonably expected to have a material impact on the Company's short-term or long-term liquidity;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- Significant elements of income or loss that did not arise from the Company's continuing operations;
- Seasonal aspects that had a material impact on the Company's results of operations; and
- Material changes in the financial statements of the Company from the year ended December 31, 2012 to December 31, 2011.

2014 Plan of Operations

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

Lakeside Fairways was introduced by Belle in April 2007. This project consists of subdivision lots adjacent to 27 holes of the Tagaytay Midlands golf course in Talisay, Batangas. In August 2009, Belle launched Fairfield in Tanauan, Batangas. Fairfield, located adjacent to The Verandas, was 100% complete as of December 31, 2012. In April 2010, Nob Hill was launched, and was 73% complete as of December 31, 2012. As of December 31, 2012, the first four Lakeside Fairways (Kew Gardens, Terrazas de Alava, Lakeside Enclave and Tivoli Place) averaged a completion rate of 99%. The fifth and sixth subdivisions inside Lakeside Fairways (Cotswold and Katsura, respectively) were both 99% and 96% complete as of December 31, 2012. The construction of the third 9 holes for the Tagaytay Midlands golf course also commenced during the first half of 2008. In April 2010, Belle launched Yume, a new Japanese-themed subdivision in the Lakeside Fairways development area, which was 86% complete as of December 31, 2013. In April 2011, Belle launched its newest subdivision within Lakeside Fairways, Sycamore Heights, with more than 23 hectares in gross land area, comprising 352 residential lots averaging 360 sqm per lot, which was 42% complete as of December 31, 2013.

As of December 31, 2013, construction on the first six phases of Lakeside Fairways and on the third nine holes of the Tagaytay Midlands golf course were on-going, and are expected to attain 100% completion in 2014. Belle will also work towards the completion of land development for Nob Hill in 2014. Construction of its newest project, Sycamore Heights, shall be developed continuously towards a targeted project completion by 2015.

For the gaming side, the construction of the Company's integrated resort at the entrance of PAGCOR's Entertainment City continued in full swing during 2013, with its completion and grand opening both planned to occur during 2014. On October 25, 2012, Belle and its wholly-owned subsidiary PLAI signed a Cooperation Agreement with MCE for the development and operation of the integrated resort. The Cooperation Agreement places Belle as the licensee and owner of the resort's land and buildings, while MCE will be the developer and operator of all facilities within the resort complex through its Philippine subsidiary, Melco Crown (Philippines) Resorts Corporation ("MCP"). MCE is the developer and owner of integrated resort facilities historically focused on the Macau market. Its highly successful "City of Dreams" integrated resort complex on Macau's Cotai Strip houses a gaming facility, a Crown hotel, a Grand Hyatt hotel, a Hard Rock hotel and an upscale retail operation, along with a mix of bars and restaurants that draw large crowds from Hong Kong and China. MCE is building its second integrated resort in Macau, to be called "Studio City". On October 9, 2013, MCP announced that the integrated resort will be branded "City of Dreams Manila", the namesake of its flagship Macau resort, and that it estimates spending approximately US$680 million in development costs up to the time of opening.

City of Dreams Manila is being constructed on 6.2 hectares of prime land at the corner of Roxas Boulevard and Aseana Avenue in Parañaque City. In response to PAGCOR's requirement to all gaming license holders of an Investment Commitment of US$1.0 billion, Belle launched a Stock Rights Offering ("SRO") in September 2011. Through the SRO, Belle was able to successfully raise a total of ₱4.5 billion despite the volatile market environment at the time. All proceeds from the SRO are being used to finance the construction of the integrated resort. At completion in 2014, the integrated resort is projected to have approximately 30 hectares of gross floor area, and will house more than 2 hectares of gaming space, more than 2 hectares of retail and restaurant facilities, approximately 950 high-quality hotel rooms and other entertainment facilities. It is currently estimated to operate approximately 365 gaming tables, 1,680 slot machines and 1,680 electronic table games upon opening. City of Dreams Manila is only about 1 kilometer away from the Mall of Asia complex.

Existing investments will continue to be managed at Pacific Online Systems Corporation. Pacific Online, Belle's 38% - owned affiliate, leases online equipment to the Philippine Charity Sweepstakes Office for its lottery operations.

Statement of Management's Responsibility for Consolidated Financial Statements

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

The management of Belle Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

BENITO TAN GUAT
Chairman of the Board

FREDERIC C. DYBUNCIO
President and Chief Executive Officer

MANUEL A. GANA
Executive Vice President
and Chief Financial Officer

Signed this 8th day of March, 2014

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

We have audited the accompanying consolidated financial statements of Belle Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Belle Corporation and Subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Clairma T. Mangangey

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

March 8, 2014

Consolidated Statements of Financial Position

(Amounts in Thousands)

	December 31, 2013	December 31, 2012 (As restated - Note 3)	January 1, 2012 (As restated - Note 3)
ASSETS			
Cash and Cash Equivalents (Notes 8, 33, 37 and 38)	**₱1,170,396**	₱1,419,711	₱2,766,880
Short-term Investments (Notes 8, 37 and 38)	**–**	965	9,668
Receivables (Notes 9, 33, 37 and 38)	**1,210,787**	1,352,972	930,124
Subscription Receivables (Notes 23 and 38)	**–**	–	2,082,920
Finance Lease Receivable (Notes 31 and 34)	**9,752,212**	–	–
Real Estate for Sale - at cost (Notes 10, 19, 20 and 38)	**3,592,276**	2,901,335	3,036,153
Club Shares - at cost (Notes 11, 19, 33 and 38)	**2,810,221**	2,812,642	2,786,148
Investments in and Advances to Associates - Net (Notes 12, 19, 21, 23, 33, 37, 38 and 39)	**978,016**	1,883,059	2,118,166
Held-to-maturity Investments (Notes 13, 33 and 37)	**750,000**	750,000	–
Available-for-sale Financial Assets (Notes 14 and 37)	**1,773,793**	28,619	22,336
Advances to Related Parties - Net (Notes 33, 37 and 38)	**11,587**	482,469	457,764
Investment Properties (Notes 15, 21, 31 and 34)	**2,958,707**	5,584,824	2,434,194
Property and Equipment (Notes 16 and 27)	**176,014**	160,283	175,599
Intangible Asset (Notes 17, 34 and 39)	**5,261,186**	5,261,186	5,261,186
Escrow Fund (Notes 21, 33, 34 and 37)	**–**	2,064,450	–
Pension Asset (Notes 3 and 32)	**12,515**	1,643	3,568
Other Assets (Notes 16, 18, 21 and 30)	**1,096,138**	758,284	562,390
	₱31,553,848	₱25,462,442	₱22,647,096
LIABILITIES AND EQUITY			
Liabilities			
Loans payable (Notes 19, 33, 37 and 38)	**₱200,466**	₱2,081,714	₱2,155,857
Accounts payable and other liabilities (Notes 10, 20, 33, 37 and 38)	**2,469,852**	1,869,808	1,750,935
Income tax payable (Note 30)	**–**	416	8,258
Long-term debt (Notes 21, 33 and 37)	**1,502,800**	4,719,165	2,559,584
Nontrade liability (Note 22)	**4,000,000**	–	–
Estimated liability on construction costs (Notes 15, 31 and 34)	**2,247,567**	–	–
Deferred tax liabilities - net (Note 30)	**836,530**	167,944	89,045
Assignment of receivables with recourse (Notes 9, 33, 37 and 38)	**89,549**	–	–
Total Liabilities	**11,346,764**	8,839,047	6,563,679
Equity			
Attributable to equity holders of the parent:			
Preferred stock - issued (Notes 23 and 33)	**1,000,000**	1,000,000	1,000,000
Common stock (Note 23):			
Issued	**10,559,383**	10,559,383	9,170,770
Subscribed	**–**	–	1,388,613
Additional paid-in capital (Notes 17 and 23)	**5,503,731**	5,503,731	5,503,731
Equity share in cost of Parent Company shares held by associates (Note 23)	**(2,501)**	(731,696)	(731,696)
Cost of Parent Company common and preferred shares held by subsidiaries (Note 3 and 23)	**(2,257,631)**	(562,375)	(497,758)
Unrealized gain on available-for-sale financial assets - net (Notes 12, 14 and 30)	**(190,785)**	14,868	8,585
Retained earnings (Note 23)	**4,533,666**	893,813	338,093
Other reserves (Notes 12 and 32)	**21,386**	(1,225)	(43,874)
Excess of cost over net asset value of an investment (Note 12)	**252,040**	–	–
Total Equity Attributable to Equity Holders of the Parent	**19,419,289**	16,676,499	16,136,464
Non-controlling interests	**787,795**	(53,104)	(53,047)
Total Equity	**20,207,084**	16,623,395	16,083,417
	₱31,553,848	₱25,462,442	₱22,647,096

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(Amounts in Thousands, Except Per Share Amounts)

	Years Ended December 31		
	2013	2012 (As restated - Note 3)	2011 (As restated - Note 3)
REVENUE			
Interest income on finance lease (Note 31)	**₱1,177,570**	₱–	₱–
Termination income (Note 34)	**949,608**	–	–
Sale of real estate and club shares	**175,280**	323,563	520,176
Lease income (Note 31)	**157,136**	18,427	62,070
Revenue from property management	**105,033**	95,272	97,530
Others (Notes 9 and 24)	**59,620**	57,171	95,574
	2,624,247	494,433	775,350
COST OF REAL ESTATE AND CLUB SHARES SOLD (Note 25)	**(115,389)**	(117,152)	(235,983)
COST OF SERVICES FOR PROPERTY MANAGEMENT (Note 26)	**(60,269)**	(72,943)	(78,829)
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 16, 27, 31, 32 and 33)	**(642,642)**	(275,450)	(233,065)
DAY 1 GAIN ON FINANCE LEASE (Notes 15, 31 and 34)	**2,324,434**	–	–
GAIN ON SHARE SWAP (Note 12)	**772,247**	–	–
EQUITY IN NET EARNINGS OF ASSOCIATES (Note 12)	**119,940**	288,730	140,484
INTEREST EXPENSE (Notes 9, 19, 21, 28 and 33)	**(103,852)**	(128,151)	(158,160)
NET FOREIGN EXCHANGE GAIN (LOSS) (Note 21)	**(86,167)**	(36,718)	270
INTEREST INCOME (Notes 8, 9, 13, 28, 33 and 34)	**56,112**	116,453	28,498
GAIN ON LIQUIDATING DIVIDEND (Notes 12, 15 and 39)	**–**	539,671	–
OTHER INCOME (CHARGES) - Net (Notes 9, 12, 16, 29 and 33)	**81,052**	(95,064)	(12,910)
INCOME BEFORE INCOME TAX	**4,969,713**	713,809	225,655
PROVISION FOR INCOME TAX (Note 30)			
Current	**305,577**	79,154	15,972
Deferred	**1,027,952**	78,992	7,758
	1,333,529	158,146	23,730
NET INCOME	**3,636,184**	555,663	201,925
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) on available-for-sale financial assets of associates (Note 12)	**(8,560)**	46,362	(24,477)
Unrealized gain (loss) on available-for-sale financial assets - net (Note 14)	**(205,653)**	6,283	8,585
	(214,213)	52,645	(15,892)
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) of defined benefit asset (Notes 3 and 32)	**4,116**	(3,713)	998
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱3,426,087**	₱604,595	₱187,031
Net profit attributable to:			
Equity holders of the parent (Note 36)	**₱3,639,853**	₱555,720	₱201,982
Non-controlling interests	**(3,669)**	(57)	(57)
	₱3,636,184	₱555,663	₱201,925
Total comprehensive income attributable to:			
Equity holders of the parent	**₱3,429,756**	₱604,652	₱187,088
Non-controlling interests	**(3,669)**	(57)	(57)
	₱3,426,087	₱604,595	₱187,031
Basic/Diluted Earnings Per Share (Note 36)	**₱0.352**	₱0.054	₱0.024

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes In Equity

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Thousands)

	Attributable to Equity					
	Preferred Stock (Notes 23 and 33)	**Common Stock** (Note 23)	**Additional Paid-in Capital** (Note 23)	**Equity Share in Cost of Parent Company Shares Held by Associates** (Notes 12 and 23)	**Cost of Parent Company Common and Preferred Shares Held by Subsidiaries** (Note 23)	**Unrealized Gain on Available-for-Sale Financial Assets - net** (Note 14)
Balance at December 31, 2012, as previously reported	**₱1,000,000**	**₱10,559,383**	**₱5,503,731**	**(₱731,696)**	**(₱562,375)**	**₱14,868**
Effect of adoption of revised PAS 19 (Note 3)	**–**	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2012, as restated	**1,000,000**	**10,559,383**	**5,503,731**	**(731,696)**	**(562,375)**	**14,868**
Disposals (acquisitions) of parent company common and preferred shares by associates and subsidiaries	**–**	**–**	**–**	**729,195**	**(1,695,256)**	**–**
Excess of cost over net asset value of an investment	**–**	**–**	**–**	**–**	**–**	**–**
Disposal of share in cumulative translation adjustments and unrealized loss on available-for-sale financial assets of associates	**–**	**–**	**–**	**–**	**–**	**–**
Acquisition of additional non-controlling interest in Sinophil	**–**	**–**	**–**	**–**	**–**	**–**
Net income	**–**	**–**	**–**	**–**	**–**	**–**
Other comprehensive loss	**–**	**–**	**–**	**–**	**–**	**(205,653)**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**–**	**–**	**(205,653)**
Balance at December 31, 2013	**₱1,000,000**	**₱10,559,383**	**₱5,503,731**	**(₱2,501)**	**(₱2,257,631)**	**(₱190,785)**

	Attributable to Equity					
	Preferred Stock (Notes 23 and 32)	**Common Stock** (Note 23)	**Additional Paid-in Capital** (Note 23)	**Equity Share in Cost of Parent Company Shares Held by Associates** (Notes 12 and 23)	**Cost of Parent Company Common and Preferred Shares Held by Subsidiaries** (Note 23)	**Unrealized Gain on Available-for-Sale Financial Assets - Net** (Note 14)
Balance at December 31, 2011, as previously reported	₱1,000,000	₱10,559,383	₱5,503,731	(₱731,696)	(₱497,758)	₱8,585
Effect of adoption of revised PAS 19 (Note 3)	–	–	–	–	–	–
Balance at December 31, 2011, as restated	1,000,000	10,559,383	5,503,731	(731,696)	(497,758)	8,585
Acquisitions of parent company common and preferred shares by subsidiaries	–	–	–	–	(64,617)	–
Net income	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	–	6,283
Total comprehensive income for the year	–	–	–	–	–	6,283
Balance at December 31, 2012	₱1,000,000	₱10,559,383	₱5,503,731	(₱731,696)	(₱562,375)	₱14,868
Balance at December 31, 2010, as previously reported	₱1,000,000	₱6,350,900	₱–	(₱731,696)	(₱497,758)	₱–
Effect of adoption of revised PAS 19 (Note 3)	–	–	–	–	–	–
Balance at December 31, 2010, as restated	1,000,000	6,350,900	–	(731,696)	(497,758)	–
Issuance during the year	–	2,819,870	2,776,140	–	–	–
Subscriptions during the year	–	1,388,613	2,727,591	–	–	–
Net income	–	–	–	–	–	–
Other comprehensive loss	–	–	–	–	–	8,585
Total comprehensive income for the year	–	–	–	–	–	8,585
Balance at December 31, 2011	₱1,000,000	₱10,559,383	₱5,503,731	(₱731,696)	(₱497,758)	₱8,585

See accompanying Notes to Consolidated Financial Statements.

Holders of the Parent							
Other Reserves							
Share in Cumulative Translation Adjustments of an Associate (Note 12)	Share in Unrealized Gain (Loss) on Available-for-Sale Financial Assets of Associates (Note 12)	Re-measurement of Pension Income (Expense) (Note 32)	Excess of Cost over Net Asset Value of an Investment	Retained Earnings (Deficit) (Note 23)	Total	Non-controlling Interests	Total Equity
(₱26,393)	**₱20,386**	**₱–**	**₱–**	**₱893,754**	**₱16,671,658**	**(₱53,104)**	**₱16,618,554**
–	**–**	**4,782**	**–**	**59**	**4,841**	**–**	**4,841**
(26,393)	**20,386**	**4,782**	**–**	**893,813**	**16,676,499**	**(53,104)**	**16,623,395**
–	**–**	**–**	**–**	**–**	**(966,061)**	**–**	**(966,061)**
–	**–**	**–**	**252,040**	**–**	**252,040**	**–**	**252,040**
26,393	**662**	**–**	**–**	**–**	**27,055**	**–**	**27,055**
–	**–**	**–**	**–**	**–**	**–**	**844,568**	**844,568**
–	**–**		**–**	**3,639,853**	**3,639,853**	**(3,669)**	**3,636,184**
–	**(8,560)**	**4,116**	**–**	**–**	**(210,097)**	**–**	**(210,097)**
–	**(8,560)**	**4,116**	**–**	**3,639,853**	**3,429,756**	**(3,669)**	**3,426,087**
₱–	**₱12,488**	**₱8,898**	**₱252,040**	**₱4,533,666**	**₱19,419,289**	**₱787,795**	**₱20,207,084**

Holders of the Parent						
Other Reserves						
Share in Cumulative Translation Adjustments of an Associate (Note 12)	Share in Unrealized Gain (Loss) on Available-for-Sale Financial Assets of Associates (Note 12)	Re-measurement of Pension income (expense) (Note 32)	Retained Earnings (Deficit) (Note 23)	Total	Non-controlling Interests	Total Equity
(₱26,393)	(₱25,976)	₱–	₱338,243	₱16,128,119	(₱53,047)	₱16,075,072
–	–	8,495	(150)	8,345	–	8,345
(26,393)	(25,976)	8,495	338,093	16,136,464	(53,047)	16,083,417
–	–	–	–	(64,617)	–	(64,617)
–	–	–	555,720	555,720	(57)	555,663
–	46,362	(3,713)	–	48,932	–	48,932
–	46,362	(3,713)	555,720	604,652	(57)	604,595
(₱26,393)	₱20,386	₱4,782	₱893,813	₱16,676,499	(₱53,104)	₱16,623,395
(₱26,393)	(₱1,499)	₱–	₱137,726	₱6,231,280	(₱52,990)	₱6,178,290
–	–	7,497	(1,615)	5,882	–	5,882
(26,393)	(1,499)	7,497	136,111	6,237,162	(52,990)	6,184,172
–	–	–	–	5,596,010	–	5,596,010
–	–	–	–	4,116,204	–	4,116,204
–	–	–	201,982	201,982	(57)	201,925
–	(24,477)	998	–	(14,894)	–	(14,894)
–	(24,477)	998	201,982	187,088	(57)	187,031
(₱26,393)	(₱25,976)	₱8,495	₱338,093	₱16,136,464	(₱53,047)	₱16,083,417

Consolidated Statements of Cash Flows
(Amounts in Thousands)

	Years Ended December 31		
	2013	2012 (As restated - Note 3)	2011 (As restated - Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱4,969,713**	₱713,809	₱225,655
Adjustments for:			
Day 1 gain in finance lease (Notes 15, 31 and 34)	**(2,324,434)**	–	–
Interest income on finance lease (Note 31)	**(1,177,570)**	–	–
Gain on share swap (Note 12)	**(772,247)**	–	–
Equity in net earnings of associates (Note 12)	**(119,940)**	(288,730)	(140,484)
Interest expense (Note 28)	**103,852**	128,151	158,160
Unrealized foreign exchange loss - net	**86,167**	37,325	31
Interest income (Note 28)	**(56,112)**	(116,453)	(28,498)
Gain on sale of:			
Property and equipment (Note 29)	**(72,026)**	(612)	–
Investment (Note 12)	**–**	–	(10,234)
Depreciation and amortization (Notes 16 and 27)	**34,939**	30,926	27,059
Amortization of discount on trade receivables (Notes 9 and 24)	**(32,280)**	(29,392)	(54,465)
Pension costs (Notes 27 and 32)	**5,318**	4,992	3,371
Provision for (reversal of) allowance:			
Probable loss on other assets (Note 29)	**4,418**	(368)	–
Doubtful accounts	**352**	–	–
Impairment loss on advances to associates (Notes 12, 29 and 33)	**–**	10,633	–
Impairment loss on advances to related parties (Notes 29 and 33)	**–**	2,121	–
Gain on liquidating dividend (Notes 12 and 15)	**–**	(539,671)	–
Dividend income	**–**	(272)	(278)
Working capital adjustments:			
Decrease (increase) in:			
Receivables	**2,556,864**	(374,550)	246,136
Real estate for sale	**(690,941)**	134,818	(23,257)
Club shares	**2,421**	(26,494)	30,294
Other assets	**(331,509)**	(183,951)	(207,420)
Increase in accounts payable and other liabilities	**(3,515,856)**	140,557	184,607
Net cash generated from (used for) operations	**(1,328,871)**	(357,161)	410,677
Interest received	**1,214,806**	97,547	23,105
Income taxes paid	**(325,601)**	(86,996)	(7,714)
Contributions to the retirement fund (Note 32)	**(10,310)**	(8,371)	(8,372)
Net cash provided by (used in) operating activities	**(449,976)**	(354,981)	417,696
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures on investment properties (Note 15)	**(1,088,349)**	(2,077,813)	(1,940,949)
Decrease (increase) in:			
Escrow fund (Notes 33 and 34)	**2,064,450**	(2,162,100)	–
Investments in and advances to associates and related parties	**463,014**	(46,356)	(19,123)
Short-term investments	**965**	7,017	(9,668)
Acquisitions of:			
Property and equipment (Note 16)	**(41,821)**	(27,185)	(24,200)
Held-to-maturity investments (Note 13)	**–**	(750,000)	–
Dividends received	**–**	272	44,692
Proceeds from disposal of:			
Property and equipment (Notes 16 and 29)	**76,294**	612	–
Investments in an associate (Note 12)	**–**	–	25,125
Net cash provided by (used in) investing activities	**1,474,553**	(5,055,553)	(1,924,123)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loans payable	**(5,250,037)**	(94,143)	(371,868)
Interest	**(135,586)**	(117,054)	(140,783)
Assignment of receivables with recourse	**–**	–	(5,027)
Proceeds from:			
ABLGI advance	**4,000,000**	–	–
Availment of loans and assignment of receivables with recourse (Notes 19 and 21)	**229,941**	2,222,318	2,379,855
Stock rights offering (Note 23)	**–**	2,082,920	2,368,108
Increase (decrease) in advances from related parties	**(105,791)**	(31,283)	1,874
Net cash provided by (used in) financing activities	**(1,261,473)**	4,062,758	4,232,159
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(12,419)**	607	96
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(249,315)**	(1,347,169)	2,725,828
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,419,711**	2,766,880	41,052
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 8)	**₱1,170,396**	₱1,419,711	₱2,766,880

See accompanying Notes to Consolidated Financial Statements.

1. General Information

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

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

Authorization of the Issuance of the Consolidated Financial Statements
The accompanying consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors (BOD) on March 8, 2014.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for certain available-for-sale (AFS) financial assets that have been measured at fair value (see Note 14). The consolidated financial statements are presented in Philippine peso, the Parent Company's functional and presentation currency, and all values are rounded to the nearest thousands, except when otherwise indicated.

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

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of Belle and the following subsidiaries (collectively referred to as "the Company") that it controls:

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

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

The subsidiaries are all incorporated in the Philippines.

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

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

3. Changes in Accounting Policies and Disclosures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

    a. The gross amounts of those recognized financial assets and recognized financial liabilities;
    b. The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
    c. The net amounts presented in the statement of financial position;
    d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:

        - Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
        - Amounts related to financial collateral (including cash collateral); and

    e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

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

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

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

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

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

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

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

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

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

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

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

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

4. **Future Changes in Accounting Policies**

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

- Amendments to PFRS 10, PFRS 12 and PAS 27 - *Investment Entities.* These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

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

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

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

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

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27) - These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL).

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21) - IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

- PFRS 9, *Financial Instruments* PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate* - This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Securities and Exchange Commission (SEC) and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

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

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

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

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

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

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

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

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

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

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*. The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39. The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*. The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.

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

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*. The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

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

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

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

- PAS 24, *Related Party Disclosures - Key Management Personnel*. The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*. The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

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

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

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

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

Annual Improvements to PFRS (2011-2013 cycle)
The Annual Improvements to PFRS (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

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

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*. The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*. The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PAS 40, *Investment Property*. The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash in banks earns interest at the prevailing bank deposit rates.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturity of three months or less from date of acquisition and are subject to an insignificant risk of change in value.

Financial Assets

Date of Recognition of Financial Assets. The Company recognizes financial assets in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognized on settlement date, i.e., the date that an asset is delivered to or by the Company.

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

Categories of Financial Assets. Financial assets are classified as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition and where allowed and appropriate, re-evaluates such classification every financial reporting date.

As at December 31, 2013 and 2012, the Company has no financial assets designated at FVPL and derivatives designated as hedging instruments.

- Loans and Receivables

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

  This category includes the Company's cash in banks and cash equivalents, short-term investments, receivables, advances to associates as shown under "Investments in and advances to associates" account in the consolidated statement of financial position, advances to related parties and escrow fund (see Note 37).

- HTM Investments

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

  The Company's investment in SM Investments Corporation (SMIC) retail bonds is classified as HTM investment as at December 31, 2012 (see Note 13).

- AFS Financial Assets

  AFS financial assets are those nonderivative financial assets that are designated as AFS financial assets or are not classified as FVPL, loans and receivables and HTM investments. The Company designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

  This category includes the Company's investments in quoted and unquoted equity securities shown under "Available-for-sale financial assets" account in the consolidated statement of financial position (see Note 14).

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

- Loans and Receivables

  After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate (EIR) method less any allowance for impairment. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

- HTM investments

  After initial measurement, these investments are subsequently measured at amortized cost using the EIR method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

- AFS Financial Assets

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

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

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

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

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

Financial Liabilities

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

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

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

As at December 31, 2013 and 2012, the Company has no financial liabilities as at FVPL and derivatives designated as hedging instruments.

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

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

Subsequent Measurement. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

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

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

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

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly; and,

- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair value measurement disclosures are presented in Note 37.

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

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

Classification of Financial Assets and Financial Liabilities Between Debt and Equity
A financial asset and financial liability is classified as debt if it provides for a contractual obligation to:

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

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

Real Estate for Sale

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

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

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to complete and the estimated costs of sale. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

Club Shares

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

Investments in Associates

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

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

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

The share in income or loss of associates is presented as part of profit or loss in the consolidated statement of comprehensive income. This is the income or loss attributable to equity holders of the associates and therefore is income or loss after tax and non-controlling interest in the subsidiaries of the associates.

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

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

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

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

Investment Properties

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

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

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

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

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

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

Property and Equipment
Property and equipment, except land, are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation, amortization and impairment in value. Such cost consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of replacing part of the property and equipment is included in the carrying amount when the cost incurred meets the recognition criteria. When major repairs and maintenance is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are charged against profit or loss in the consolidated statement of comprehensive income. Land is carried at cost less any impairment in value.

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

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

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

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

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

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

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

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

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

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

Other Assets
Other assets are stated at cost less accumulated impairment in value and are shown in the consolidated statement of financial position. The accounting policies specific to the related assets are as follows:

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

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

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

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that investments in associates, investment properties, property and equipment, intangible asset and other assets may be impaired. If any such indication exists and when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash-generating unit's fair value less costs to sell or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

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

Retained earnings represent the accumulated earnings.

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

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

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

NCI represent the equity interest in HGC not held by the Parent Company.

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

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

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

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

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

Commission Income (presented under "Other revenues" account). Revenue is recognized when the related services are rendered. Commission is computed as a certain percentage of the net contract price of the sold real estate project of a related party.

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases
The determination of whether an arrangement is, or contain, a lease is based on the substance of the arrangement at inception date or whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

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

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

The cost of the leased item is derecognized at inception of the lease. Cost includes estimated cost to complete the construction of a leased item and recognized as "Estimated liability on construction costs" separately shown in the consolidated statements of financial position and shall be settled based on actual billings from the contractors and adjusted upon completion of the construction.

Capitalization of Operating Lease. Where a building will be constructed on a land under operating lease, the operating lease costs that are incurred during the construction period may be capitalized as part of the construction cost of the building. Otherwise, this may be expensed outright.

When capitalized, such lease costs are viewed as costs directly attributable to bringing the building to the location and condition necessary for it to be capable of operating in a manner intended by management. Lease costs are necessary and unavoidable costs of constructing the building, because without this lease, no construction could occur.

<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 sale are capitalized as part of the cost of the "Real estate for sale", "Club shares", "Investment properties" and "Property and equipment" accounts in the consolidated statement of financial position. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

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

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

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

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

<u>Income Taxes</u>

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

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and the carryforward benefit of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the temporary differences and carryforward benefit of unused MCIT can be utilized.

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized except:

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

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

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

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

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

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

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

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

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

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

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

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

Business Segments
The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products.

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

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

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

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

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

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect certain reported amounts and disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

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

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

Revenue and cost from sale of real estate and club shares sold amounted to ₱175.3 million and ₱115.4 million, respectively, in 2013, ₱323.6 million and ₱117.2 million, respectively, in 2012 and ₱520.2 million and ₱236.0 million, respectively, in 2011 (see Note 25).

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

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

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

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

The carrying value of AFS financial assets in unquoted shares amounted to ₱65.2 million and ₱2.8 million as at December 31, 2013 and 2012, respectively (see Note 14).

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

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

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

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

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

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

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

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

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

The Parent Company, as a lessee, has entered into lease agreements for its office space, land, parking lots, machinery, office and transportation equipment. The Parent Company has determined that it has not acquired the significant risks and rewards of ownership of the leased properties thus the Company recognized the lease agreements as operating leases.

Rent expense recognized from operating lease in 2013, 2012 and 2011 amounted to ₱11.6 million, ₱8.4 million and ₱4.3 million, respectively (see Notes 27 and 31).

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

Management considered the substance of the assets and activities of the acquired entity and assessed that the acquisition of the subsidiary does not represent a business, but rather an acquisition of an intangible asset, the subsidiary being the holder of the right to establish and operate a casino (see Note 17). The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

The Company reviews the allowance on a continuous basis. Accounts that are specifically identified to be potentially uncollectible are provided with adequate allowance through charges to income in the form of provision for doubtful accounts. A provision is also established as a certain percentage of receivables and advances not provided with specific allowance. This percentage is based on a collective assessment of historical collection, current economic trends, changes in customer payment terms and other factors that may affect the Company's ability to collect payments. The amount and timing of recorded provision for doubtful accounts for any period would differ if the Company made different judgments or utilized different estimates. An increase in the Company's allowance for doubtful accounts would increase the recorded operating expenses and decrease its assets.

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

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

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

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

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

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

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

The Company's management makes significant estimates and assumptions on the future cash flows expected and the appropriate discount rate to determine if impairment exists. Impairment may also be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

No provision for impairment of AFS financial assets was recognized in 2013, 2012 and 2011. The carrying values of AFS financial assets amounted to ₱1,773.8 million and ₱28.6 million as at December 31, 2013 and 2012, respectively (see Note 14).

Determination of Commencement of Amortization of Intangible Asset. The Company's casino gaming license ("License") will be amortized on a straight-line basis over the term of the License which is concurrent with Philippine Amusement and Gaming Corporation's (PAGCOR) congressional franchise set to expire in 2033. The amortization of the License will commence upon issuance by PAGCOR of the Notice to Commence Casino Operations which will replace the current provisional license.

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

There were no changes in the estimated useful lives of property and equipment in 2013 and 2012.

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

The carrying values of nonfinancial assets subjected to impairment review as at December 31, 2013 and 2012 are as follows:

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

**Excluding supplies inventory.*

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

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

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

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

Determination and Computation of Pension Cost. The cost of defined benefit pension plans and other post employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Pension asset amounted to ₱12.5 million and ₱1.6 million as at December 31, 2013 and 2012, respectively (see Note 32).

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

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

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

Evaluation of Legal Contingencies. The Company is currently involved in legal and administrative proceedings. The Company's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsel handling defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on its financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 35).

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

7. SEGMENT INFORMATION

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

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

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

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

	2012 (As restated)				
	Real Estate Development	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Earnings Information					
Revenue	₱494,433	₱25,000	₱–	(₱25,000)	₱494,433
Costs and expenses	(472,650)	(17,748)	(147)	25,000	(465,545)
Equity in net earnings of associates	146,601	142,129	–	–	288,730
Interest expense	(128,151)	–	–	–	(128,151)
Interest income	116,450	3	–	–	116,453
Provision for income tax	157,231	915	–	–	158,146
Net profit (loss) for the year	408,872	148,442	(151)	(1,500)	555,663
Net profit (loss) attributable to equity holders of the parent	408,910	148,442	(132)	(1,500)	555,720

(Forward)

	2012 (As restated)				
	Real Estate Development	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Other Information					
Investments in and advances to associates	₱7,795,662	₱151,622	₱764	(₱6,064,989)	₱1,883,059
HTM investments	750,000	–	–	–	750,000
Available-for-sale financial assets	24,898	1,208,497	24,409	(1,229,185)	28,619
Advances to related parties	482,469	–	–	–	482,469
Segment assets	9,722,064	28,753	53,519	12,513,959	22,318,295
Segment liabilities	2,392,297	3,428	(822)	(708,008)	1,686,895
Consolidated total assets	18,775,092	1,388,874	78,691	5,219,785	25,462,442
Consolidated total liabilities	11,836,021	824,420	19,935	(3,841,329)	8,839,047
Capital expenditures	(2,104,947)	(51)	–	–	(2,104,998)
Depreciation and amortization	(30,414)	(411)	(101)	–	(30,926)

	2011 (As restated)				
	Real Estate Development	Gaming and Gaming Related Activities	Others	Eliminations/ Adjustments	Consolidated
			(In Thousands)		
Earnings Information					
Revenue	₱775,350	₱–	₱–	₱–	₱775,350
Costs and expenses	(538,523)	(9,153)	(201)	–	(547,877)
Equity in net earnings of associates	(10,391)	150,875	–	–	140,484
Interest expense	(158,160)	–	–	–	(158,160)
Interest income	28,419	79	–	–	28,498
Provision for income tax	23,730	–	–	–	23,730
Net profit (loss) for the year	60,372	141,781	(228)	–	201,925
Net profit (loss) attributable to equity holders of the parent	60,372	141,781	(228)	57	201,982
Other Information					
Investments in and advances to associates	9,001,613	146,923	760	(7,031,130)	2,118,166
Available-for-sale investments	17,954	1,106,869	33,446	(1,135,933)	22,336
Advances to related parties	457,764	–	–	–	457,764
Segment assets	6,536,147	68,770	53,061	13,390,852	20,048,830
Segment liabilities	112,315	700	2,148,402	(716,835)	1,544,582
Consolidated total assets	16,013,489	1,322,551	87,268	5,223,788	22,647,096
Consolidated total liabilities	3,582,781	811,739	2,169,159	–	6,563,679
Capital expenditures	(1,965,149)	–	–	–	(1,965,149)
Depreciation and amortization	(26,954)	(4)	(101)	–	(27,059)

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

	2013	2012 (As restated)	2011 (As restated)
		(In Thousands)	
Revenues			
Total revenue for reportable segments	**₱2,697,750**	₱519,433	₱775,350
Elimination for intercompany revenue	**(73,503)**	(25,000)	–
Consolidated revenue	**₱2,624,247**	₱494,433	₱775,350
Net Profit for the Year			
Total profit for reportable segments	**₱3,673,829**	₱557,163	₱201,925
Elimination for intercompany profits	**(37,645)**	(1,500)	–
Consolidated net profit	**₱3,636,184**	₱555,663	₱201,925
Assets			
Total assets for reportable segments	**₱28,040,452**	₱22,318,295	₱20,048,830
Investments in and advances to associates	**978,016**	1,883,059	2,118,166
HTM investments	**750,000**	750,000	–
AFS financial assets	**1,773,793**	28,619	22,336
Advances to related parties	**11,587**	482,469	457,764
Consolidated assets	**₱31,553,848**	₱25,462,442	₱22,647,096
Liabilities			
Total liabilities for reportable segments	**₱2,481,862**	₱1,686,895	₱1,544,582
Loans payable	**200,466**	2,081,714	2,155,857
Long-term debt	**1,502,800**	4,719,165	2,559,584
Nontrade liability	**4,000,000**	–	–
Advances from related parties*	**77,539**	183,329	214,611
Deferred tax liabilities	**836,530**	167,944	89,045
Deferred gain on finance lease	**2,247,567**	–	–
Consolidated liabilities	**₱11,346,764**	₱8,839,047	₱6,563,679

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

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

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

8. CASH AND CASH EQUIVALENTS

This account consists of:

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

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

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

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

9. **RECEIVABLES - NET**

This account consists of:

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

- Trade receivables are noninterest-bearing and are generally collected in installment within 3 to 5 years.
- Other receivables mainly pertain to advances to third parties, which are noninterest-bearing and generally have 90 days term.

As at December 31, 2013 and 2012, trade receivables with nominal amount of ₱1,036.6 million and ₱1,222.1 million, respectively, were recorded initially at fair value. The fair value of the receivables was obtained by discounting future cash flows using applicable interest rates ranging from 1.5% to 5.30% and 2.0% to 5.1% as at December 31, 2013 and 2012. The unamortized discount amounted to ₱50.4 million and ₱63.3 million as at December 31, 2013 and 2012, respectively. Amortization of discount on trade receivables, shown under "Other revenue" account in the consolidated statements of comprehensive income, amounted to ₱32.3 million, ₱29.4 million and ₱54.5 million in 2013, 2012 and 2011, respectively (see Note 24).

Movement of unamortized discount on trade receivables are as follows:

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

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

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

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

Movement in the allowance for doubtful accounts is as follows:

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

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

Allowance for doubtful accounts is determined using specific identification.

10. **REAL ESTATE FOR SALE - AT COST**

This account consists of:

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

Land held for future development consists of properties in Tagaytay City, Batangas and Cavite. It also includes certain parcels of land with a carrying value amounting to ₱915.5 million and ₱391.2 million as at December 31, 2013 and 2012, respectively, located in Batangas which are already in the Company's possession but are not yet fully paid pending the transfer of certificates of title to the Company. Outstanding payable related to the acquisition shown under "Accounts payable and other liabilities" account in the consolidated statements of financial position amounted to ₱136.3 million and ₱147.7 million as at December 31, 2013 and 2012, respectively (see Note 20).

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

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

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

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

11. **CLUB SHARES - AT COST**

This account consists of:

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

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

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

12. **INVESTMENTS IN AND ADVANCES TO ASSOCIATES - NET**

This account consists of:

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

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

		2013			2012		
		Percentage of Ownership			Percentage of Ownership		
Associates	**Industry**	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total
Belle Jai Alai Corporation (Belle Jai Alai)*	Gaming	**50.00**	**–**	**50.00**	50.00	–	50.00
Lucky Star Gaming Corporation (Lucky Star)*	Gaming	**49.00**	**–**	**49.00**	49.00	–	49.00
Woodlands Development Corporation (WDC)	Real estate	**47.00**	**–**	**47.00**	47.00	–	47.00
APC Group, Inc. (APC)	Mining	**46.59**	**2.21**	**48.80**	46.59	2.21	48.80
Pacific Online Systems Corporation (Pacific Online)	Gaming	**21.53**	**13.41**	**34.94**	21.53	13.41	34.94
Sinophil	Holding	**–**	**–**	**–**	45.33	0.16	45.49
Highlands Prime, Inc. (Highlands Prime)	Real Estate	**–**	**–**	**–**	35.82	0.19	36.01

** *Non-operating*

The associates are all incorporated in the Philippines.

Movements of investments in associates consist of:

	2013	2012
	(In Thousands)	
Acquisition cost:		
Balance at beginning of year	**₱11,435,139**	₱12,341,598
Acquisition during the year	**–**	927
Liquidation of investment in Belle Bay City Corporation (Belle Bay City) during the year	**–**	(907,386)
Acquisition of a subsidiary accounted under pooling of interest	**(4,815,635)**	–
Disposal through share swap	**(827,383)**	–
Balance at end of year	**5,792,121**	11,435,139
Accumulated equity in net losses:		
Balance at beginning of year	**(5,182,793)**	(5,876,945)
Acquisition of a subsidiary accounted under pooling of interest	**553,365**	–
Equity in net earnings for the year	**119,940**	288,730
Share in declared dividends	**(129,896)**	(28,143)
Disposal through share swap	**(28,346)**	–
Liquidation of investment in Belle Bay City during the year	**–**	433,565
Balance at end of year	**(4,667,730)**	(5,182,793)
Accumulated equity in dividends declared on Parent Company preferred shares held by associates	**–**	147,590
Share in cumulative translation adjustments of an associate	**–**	(26,393)
Share in unrealized gain (loss) on AFS financial assets of associates:		
Balance at beginning of year	**20,386**	(25,976)
Acquisition of a subsidiary accounted under pooling of interest	**(56)**	–
Disposal through share swap	**718**	–
Share during the year	**(8,560)**	46,362
Balance at end of year	**12,488**	20,386
Total	**1,136,879**	6,393,929
Less allowance for impairment in value	**141,924**	141,924
	994,955	6,252,005
Less equity in cost of Parent Company shares held by associates (see Note 23):		
Preferred	**–**	450,937
Common	**2,501**	280,759
	2,501	731,696
Less deferred income on intercompany sale of TMGCI shares by Parent Company to Sinophil (see Note 33)	**–**	42,211
	₱992,454	₱5,478,098

Investments in Associates

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

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

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

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

	2013	2012
	(In Thousands)	
APC	**₱2,170,000**	₱2,969,235
Pacific Online	**666,814**	1,178,549
Highlands Prime	**–**	1,274,324
Sinophil	**–**	1,082,804

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

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

Investments in Sinophil. Parallax and SLW (wholly owned subsidiaries) acquired additional interest in Sinophil on April 23, 2013 for a total consideration of ₱340.0 million. The acquisition of additional shares resulted to acquiring a controlling interest of the Company in Sinophil thus, accounting for its investments in the latter as investment in subsidiary. The pooling of interest method was applied since Parallax, SLW and Sinophil are entities under common control. The excess of cost over Sinophil's net assets at the time of acquisition amounting to ₱252.0 million is recorded in equity as "Excess of cost over net asset value of an investment." As a result of acquisition of additional shares, the effective ownership in Sinophil had increased to 58.1% as at December 31, 2013.

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

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

Investment in Pacific Online. Pacific Online is engaged in lottery in Visayas and Mindanao. On June 18, 2012, the SEC approved Pacific Online's 50% stock dividend declaration with record date of July 4, 2012 and payment date of July 25, 2012. The Company received 27,940,938 new shares and now owns a total of 66,947,356 Pacific Online shares. The Company's percentage of ownership in Pacific Online did not change after the receipt of stock dividends. Investments in shares of stock of Pacific Online with total carrying value of ₱420.4 million as at December 31, 2012, are pledged as security for the Company's loans payable (see Note 19).

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

Investment in Belle Bay City. Belle Bay City's major development project is a 19-hectare mixed-use real estate development along Roxas Boulevard, on a reclaimed land in Manila Bay. On June 27, 2003, the BOD of Belle Bay City approved the resolution to amend its articles of incorporation to shorten its corporate term from 50 years to end on January 31, 2004. The stockholders of Belle Bay City ratified the resolution on July 10, 2003. On January 27, 2005, the SEC approved the dissolution of Belle Bay City. In relation to the dissolution, the Parent Company partially received land with carrying value of ₱252.1 million in 2005. In 2007, the Parent Company received additional land as part of its distributive share in Belle Bay City worth ₱12.9 million. The land was conveyed to Sinophil as payment of advances. On December 6, 2011, the Company has sold 1,640 square meter land with carrying value of ₱27.4 million to Light Rail Transit Authority (LRTA) for the construction of the guideway and concrete posts for the LRT 1 Cavite Extension Project which is being implemented by LRTA. Gain on sale amounting to ₱10.2 million is presented under "Other revenue" account in the consolidated statements of comprehensive income (see Note 24). On November 11, 2012, the Company received additional land as full payment of liquidating dividends from Belle Bay City amounting to ₱1,054.2 million (see Note 15). As a result, the Company derecognized its investment in and advances to Belle Bay City with a total carrying value of ₱513.4 million, prior to the receipt of the liquidating dividends, and recognized a gain on liquidating dividend in the consolidated statements of comprehensive income amounting to ₱539.7 million in 2012.

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

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

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

13. HELD-TO-MATURITY INVESTMENTS

This pertains to the Company's investment in SMIC Series C 6.0000% and Series D 6.9442% fixed rate retail bonds. The retail bonds were purchased and issued on July 16, 2012 at face value and will mature 7 and 10 years from the issue date, respectively. Interest payments are scheduled semi-annually.

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

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account consists of:

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

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

Movement in AFS financial assets consists of:

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

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

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

15. INVESTMENT PROPERTIES

This account consists of:

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

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

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

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

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

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

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

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

16. PROPERTY AND EQUIPMENT

The rollforward analysis of this account follows:

				2013			
	Land and Leasehold Improvements	**Machinery and Equipment**	**Condominium Units and Improvements**	**Transportation Equipment**	**Office Furniture, Fixtures and Equipment**	**Construction-in-progress**	**Total**
				(In Thousands)			
Cost							
Balance at beginning of year	**₱253,463**	**₱188,914**	**₱260,095**	**₱74,874**	**₱77,057**	**₱5,082**	**₱859,485**
Additions	**1,128**	**37,378**	**–**	**1,072**	**2,243**	**–**	**41,821**
Disposal	**–**	**–**	**(20,821)**	**(38,065)**	**–**	**–**	**(58,886)**
Reclassifications/adjustments	**(2,343)**	**(3)**	**4,495**	**1,423**	**(302)**	**–**	**3,270**
Balance at end of year	**252,248**	**226,289**	**243,769**	**39,304**	**78,998**	**5,082**	**845,690**
Accumulated Depreciation, Amortization and Impairment Loss							
Balance at beginning of year	**235,263**	**152,063**	**183,527**	**64,534**	**63,815**	**–**	**699,202**
Depreciation and amortization for the year (see Note 27)	**4,866**	**7,639**	**13,310**	**4,493**	**4,631**	**–**	**34,939**
Disposal	**–**	**–**	**(16,553)**	**(38,065)**	**–**	**–**	**(54,618)**
Reclassifications/adjustments	**264**	**1,701**	**(15,164)**	**1,917**	**1,435**	**–**	**(9,847)**
Balance at end of year	**240,393**	**161,403**	**165,120**	**32,879**	**69,881**	**–**	**669,676**
Net Book Value	**₱11,855**	**₱64,886**	**₱78,649**	**₱6,425**	**₱9,117**	**₱5,082**	**₱176,014**

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

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

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

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

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

17. INTANGIBLE ASSET

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

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

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

18. OTHER ASSETS

This account consists of:

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

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

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

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

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

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

Debt service reserve and accrual account represents funds maintained with balance at least equal to the next principal and interest payments based on the Omnibus Loan and Security Agreement (OLSA) covenants (see Note 21).

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

19. LOANS PAYABLE

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

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

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

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

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

20. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

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

- Trade payables are noninterest-bearing and are normally on a 90 days' term.
- Accrued expenses - others mainly pertain to accruals of taxes, rent, utilities and professional fees which are normally settled with an average term of 30 to 90 days.
- Deferred income amounting to ₱200.4 million as of December 31, 2103 representing unamortized discount on refundable deposits related to lease transactions (see Notes 31and 34).
- Nontrade payables mainly include payable relating to the purchase of land (see Note 10). These lands were acquired from various land owners in Tagaytay City, Batangas and Cavite. These are noninterest-bearing and are due and demandable. This also includes output VAT payable amounting to nil and ₱10.3 million as at December 31, 2013 and 2012, respectively, Customers' deposits include collections received from buyers for projects with pending recognition of sale.

21. LONG-TERM DEBT

This account consists of:

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

FRNs

US dollar denominated borrowings of ₱22.0 million is translated using the exchange rate of ₱44.40 to US$1.0 and 41.05 to US$1.0 at December 31, 2013 and 2012, respectively. This borrowing, amounting to US$22.0 million, is part of the principal amount of US$150.0 million that was originally due in May 2002 but was extended until May 2014. These FRNs are in bearer form and are issued in denominations of approximately US$250,000, with coupons attached at the time of issue.

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

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

Interest expense on FRNs amounted to ₱34.0 million, ₱27.7 million and ₱26.1 million in 2013, 2012 and 2011, respectively (see Note 28).

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

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

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

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

The Parent Company's loans payable is secured by all of the Company's lease and project receivables, an assignment of all rights, title and interest of the Company to its existing project agreements and performance guarantee and first ranking real estate mortgage on the present and future real assets with the Lender (see Notes 12, 15 and 17).

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

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

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

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

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

Covenants. OLSA contains, among others, provisions regarding the maintenance of certain financial ratios such as debt service coverage ratio, debttoequity ratio, current ratio and maintenance of debt service reserve and accrual account (see Note 19). As at December 31, 2013 and 2012, the Parent Company has complied with these covenants.

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

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

22. NONTRADE LIABILITY

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

23. EQUITY

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

	2013		2012	
	Number of Shares	**Amount**	Number of Shares	Amount
Preferred stock:				
Authorized - 1 par value	**6,000,000,000**	**₱6,000,000,000**	6,000,000,000	₱6,000,000,000
Issued	**1,000,000,000**	**1,000,000,000**	1,000,000,000	1,000,000,000
Common:				
Authorized - 1 par value	**14,000,000,000**	**₱14,000,000,000**	14,000,000,000	₱14,000,000,000
Issued	**10,559,382,799**	**10,559,382,799**	10,559,382,799	10,559,382,799

Movements in issued common stock are as follows:

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

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

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

The following are the salient features of the preferred shares:

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

As at December 31, 2013 and 2012, the preferred shares are held by Sinophil. In 2009, Sinophil agreed to the renunciation of its rights to all past, present and future dividends. Sinophil also agreed to the revocation of the coupon rate originally provided for the preferred shares.

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

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/ Offer Price
August 20, 1973	6,000,000,000	6,000,000,000	₱0.01
March 19, 1976	2,000,000,000	464,900,000	0.01
December 7, 1990	–	920,000,000	0.01
1990	–	833,500,000	0.01
October 19,1990	(7,000,000,000)	(8,136,216,000)	0.01
June 18, 1991	–	3,381,840	0.01
1991	–	47,435,860	1.00
1992	–	11,005,500	1.00
December 7, 1993	–	473,550,000	1.00
1993	–	95,573,400	1.00
January 24, 1994	–	100,000,000	1.00
August 3, 1994	–	2,057,948	7.00
August 3, 1994	–	960,375	10.00
June 6, 1995	–	138,257,863	1.00
February 14, 1995	1,000,000,000	–	1.00
March 8, 1995	–	312,068,408	1.00
March 17, 1995	2,000,000,000	–	1.00
March 28, 1995	–	627,068,412	1.00
(Forward)			
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
	14,000,000,000	10,559,382,799	

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

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

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

The Parent Company declared stock dividends in 1991 and 1995. The total number of shareholders of the Parent Company is 2,013 and 2,157 as at December 31, 2013 and 2012, respectively.

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

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

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

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

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

24. OTHER REVENUE

This account consists of:

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

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

25. COST OF REAL ESTATE AND CLUB SHARES SOLD

This account consists of:

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

26. **COST OF SERVICES FOR PROPERTY MANAGEMENT**

This account consists of:

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

27. **GENERAL AND ADMINISTRATIVE EXPENSES**

This account consists of:

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

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

Personnel Costs

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

28. **INTEREST INCOME AND INTEREST EXPENSE**

The sources of the Company's interest income follows:

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

The sources of the Company's interest expense follows:

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

29. **OTHER CHARGES- NET**

This account consists of:

	2013	2012	2011
		(In Thousands)	
Provision for (reversal of) allowance:			
Probable loss on other assets - net	**₱4,418**	₱61,692	₱–
Doubtful accounts on receivables (see Note 9)	**352**	2,353	–
Doubtful accounts on advances to associates (see Note 12)	**–**	10,633	–
Impairment loss on advances to related parties (see Note 33)	**–**	2,121	–
Bank service charges	**3,799**	11,034	12,880
Gain on sale of property and equipment (see Note 16)	**(72,026)**	(612)	–
Others - net	**(17,595)**	7,843	30
	(₱81,052)	₱95,064	₱12,910

30. **INCOME TAXES**

The provision for current income tax consists of the following:

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

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

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

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

	2013	2012
	(In Thousands)	
Deferred tax assets:		
Construction cost	**₱1,330,354**	₱–
Estimated liability on construction costs	**674,270**	–
Unrealized foreign exchange loss	**157,719**	–
Deferred lease income	**32,168**	3,878
Accrued selling expenses	**16,104**	14,715
Discount on trade receivables	**15,113**	18,975
Unrealized profit on sale of club shares to associates	**9,327**	4,221
Unamortized past service costs	**1,720**	635
Accretion of refundable deposits	**1,107**	1,157
Accrued rent	**746**	847
Allowances for:		
Impairment in value of property and equipment	**–**	55,891
Doubtful accounts	**–**	12,729
Probable losses	**–**	9,543
MCIT	**–**	17,821
	₱2,238,628	₱140,412

(Forward)

	2013	2012
	(In Thousands)	
Deferred tax liabilities:		
Finance lease receivable	**(₱2,925,664)**	₱–
Capitalized interest expense	**(33,307)**	(90,292)
Unaccreted discount on refundable deposits	**(32,726)**	(4,027)
Accumulated depreciation	**(29,841)**	–
Accrued rent	**(22,338)**	–
Capitalized rent expense	**(18,214)**	(10,019)
Unrealized gain on sale of real estate	**(6,274)**	(797)
Pension asset	**(3,754)**	(492)
Unrealized gain on AFS financial asset	**(1,222)**	(1,499)
Deferred lease expense	**(1,021)**	(1,099)
Deferred income on real estate sales	**(797)**	(9,770)
Unrealized foreign exchange gain - net	**–**	(190,361)
	(3,075,158)	(308,356)
	(₱836,530)	(₱167,944)

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

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

The deferred tax assets of the above temporary differences amounting to ₱764.5 million and ₱657.8 million as at December 31, 2013 and 2012, respectively, are not recognized in the books since management believes that it is not probable that taxable income will be available against which the deferred tax assets can be utilized.

For income tax purposes, lease of the building structures is accounted for under operating lease (see Note 31).

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

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

Philippine Economic Zone Authority (PEZA)
In 2010, the Company's pre-qualification clearance from PEZA in relation with its efforts to secure a Tourism Economic Zone status for a portion of its flagship project, Tagaytay Highlands, has been approved. However, as at March 8, 2014, this approval has not yet been issued with a Presidential Proclamation.

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

31. LEASE COMMITMENTS

Company as a Lessor
Lease Agreements with ABLGI
On January 14, 2011, the Parent Company, as a lessor, entered into an operating lease agreement with ABLGI for the lease of land allocable to Belle as part of its share in the remaining liquidating assets of Belle Bay City. The leased premises shall commence upon the execution of the lease agreement and shall expire 10 years after the commencement date of the lease period (earlier between the soft opening date and turnover date) for the integrated resort complex. During the construction period, from the date of execution of the lease agreement to the casino building lease commencement date, the lessee shall pay a nominal monthly rental of ₱30.25 per square meter which is equivalent to 25% of the base rate of ₱121 per square meter and ₱121 per square meter after the casino building lease commencement date to December 31, 2012. In 2012, Belle and ABLGI have agreed to the restructuring of the lease agreements to enable the entry of Melco Crown Entertainment Limited (Melco). The lease agreement with ABLGI was formally terminated on March 13, 2013 (see Note 34).

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

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

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

Finance Lease
The Company recognized a finance lease receivable equivalent to the net investment in the lease. The implicit interest rate on the finance lease was 15.75% per annum at inception of the lease. Day 1 gain on finance lease was recognized for the excess of net investment over the construction cost of the building structures amounting to ₱2,324.4 million in 2013. The lease payments made by the lessee are split into an interest component and a principal component using the effective interest method. The lease receivable is reduced by the principal received. The interest component of the payments is recognized as "Interest income on finance lease" in the consolidated statement of comprehensive income.

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

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

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

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

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

Company as a Lessee
Operating Lease
The Company entered into a lease agreement for a parcel of land situated in Aseana Business Park, Parañaque City. The 20,218 square meter land area lease shall be for a period of 10 years commencing on April 23, 2010, inclusive of two years construction period. Rental payments are subject to escalation as stated in the agreement. The contract may be renewed or extended by written agreement of the parties and upon such terms and conditions that are mutually acceptable to them. The Company also paid ₱4.4 million refundable deposit which formed part of "Prepayments and other assets" account under "Other assets" in the consolidated statements of financial position (see Note 18). On April 15, 2012, the parties agreed to extend the lease term for an additional 15 years ending on April 22, 2035.

As at December 31, 2013 and 2012, the operating lease cost amounting to ₱27.3 million and ₱22.3 million were capitalized to leasehold improvements as the Company has started construction of the integrated resort (see Notes 16 and 34).

The Company entered into an operating lease agreement with SM Land, Inc., a related party, covering its new office space (see Note 33). The lease shall be for a period of 5 years commencing on August 1, 2012. Rental payments are subject to annual escalation adjustments. Total rent expense charged to operations relating to this transaction amounted to ₱10.5 million and ₱6.1 million in 2013 and 2012, respectively (see Note 27). The Company also paid ₱2.4 million refundable deposit which is included as part of "Other assets" account in the consolidated statements of financial position (see Note 18).

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

The Company also has several operating lease arrangements on parking lots, machineries, office and transportation equipment. Total rent expense charged to operations relating to these lease agreements amounted to ₱1.1 million, ₱1.6 million and ₱3.1 million in 2013, 2012, and 2011, respectively (see Note 27).

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

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

32. PENSION COSTS

The Company has a defined benefit pension plan covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. Costs are determined in accordance with the actuarial study, the latest of which is dated December 31, 2013.

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

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

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

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

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

Pension Asset

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

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

	2013	2012	2011
		(In Thousands)	
Balance at the beginning of the year	**₱62,493**	₱57,658	₱52,684
Interest cost	**3,900**	3,459	3,266
Current service cost	**5,578**	5,239	4,832
Benefits paid from plan assets	**(5,246)**	(7,290)	(1,804)

(Forward)

	2013	2012	2011
		(In Thousands)	
Actuarial loss (gain) due to:			
Experience adjustments	**(₱6,561)**	₱10,890	(₱1,320)
Actuarial loss(gain) on changes in financial assumptions	**2,106**	(1,559)	–
Actuarial loss (gain) on changes in demographic assumptions	**–**	(5,904)	–
	₱62,270	₱62,493	₱57,658

Changes in the FVPA are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

The carrying value and fair value of the fund amounted to ₱75.9 million as at December 31, 2013. The fund's assets are comprised of: (i) cash in bank; (ii) investment in treasury bonds of government securities, equity securities of private corporations, mutual funds and unit investment trust funds and (iii) loans and receivables from individuals.

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

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

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

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

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

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

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

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

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

33. RELATED PARTY TRANSACTIONS

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

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

Other Transactions with Associates and Related Companies

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

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance	Terms	Condition
				(In Thousands)			
APC	Associate	Advances to associate	**2013**	**₱15**	**₱3,754,568**	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to ₱79,452 in 2013 and 2012
			2012	15	3,754,554		
Belle Jai Alai	Associate	Advances to associate	**2013**	**–**	**29,398**	Non-interest bearing, due and demandable	Unsecured, no allowance
			2012	–	29,398		
Highlands Prime	Associate	Advances to associate	**2013**	**–**	**1,936**	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to nil in 2013 and ₱14,515 in 2012
			2012	(19,065)	43,834		
		Commission income (see Note 24)	**2013**	**–**	**–**		Not applicable
			2012	302	–		Not applicable
Belle Bay City	Associate	Advances to associate	**2013**	**–**	**–**	Non-interest bearing, due and demandable	Liquidated
			2012	(37,689)	–		Liquidated
WDC	Associate	Advances to associate	**2013**	**–**	**54,334**	Non-interest bearing, due and demandable	Unsecured, fully provided in 2013 and 2012
			2012	–	54,334		
Others	Associate	Advances to associates	**2013**	**–**	**11,486**	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to ₱11,447 in 2013 and ₱11,592 in 2012
			2012	(2,845)	15,118		
Tagaytay Highlands	With common set of directors	Advances to other related parties	**2013**	**(363,696)**	**2,087**	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to ₱624 in 2013 and ₱1,087 in 2012
			2012	5,566	365,782		
Country Club	With common set of directors	Advances to other related parties	**2013**	**(91,568)**	**2,372**	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to nil in 2013 and ₱1,737 in 2012.
			2012	4,134	93,940		
Others	With common set of directors	Advances to other related parties	**2013**	**17,311**	**15,854**	Non-interest bearing, due and demandable	Unsecured, partially provided amounting to ₱6,374 in 2013 and 2012
			2012	17,126	31,945		
TMGCI	With common set of directors	Advances from other related parties	**2013**	**(72,608)**	**2,259**	Non-interest bearing, due and demandable	Unsecured
			2012	3,901	74,867		
Belle Jai-Alai	Associate	Advances from associate	**2013**	**–**	**60,753**	Non-interest bearing, due and demandable	Unsecured
			2012	–	60,753		
Sinophil Leisure and Resorts Corp.	Subsidiary of Sinophil	Advances from other related parties	**2013**	**–**	**–**	Non-interest bearing, due and demandable	Unsecured
			2012	(38)	29,034		
Tagaytay Highlands	With common set of directors	Advances from other related parties	**2013**	**–**	**10,819**	Non-interest bearing, due and demandable	Unsecured
			2012	–	10,819		

(Forward)

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance	Terms	Condition
Sinophil	Associate	Advances from associate	**2013**	**(₱553)**	**₱–**	Non-interest bearing, due and demandable	Unsecured
			2012	(19,602)	3,426		
Pacific Online	Associate	Advances from associate	**2013**	**–**	**–**	Non-interest bearing, due and demandable	Unsecured
			2012	(10,016)	–		
Others	Associates	Advances from other related parties	**2013**	**–**	**3,707**	Non-interest bearing, due and demandable	Unsecured
			2012	5,527	4,430		
BDO	With common stockholders	Cash equivalents	**2013**	**–**	**–**	Interest bearing	Unsecured, not impaired
			2012	(1,111,120)	1,210,187		
		Interest income on cash equivalents (see Notes 8 and 28)	**2013**	**10,569**	**–**	3.14% to 4.56%	Unsecured, not impaired
			2012	81,904	–	3.87% to 4.56%	
			2011	22,875	–	1.00% to 3.94%	
		Receivables purchase agreement (see Note 9)	**2013**	**242,429**	**–**	Interest bearing	Unsecured
			2012	(339,454)	242,429		
		Escrow fund (see Note 34)	**2013**	**(2,064,450)**	**–**	Interest bearing	Unsecured, not impaired
			2012	2,064,450	2,064,450		
		Interest income on escrow fund (see Notes 27 and 33)	**2013**	**4,112**	**–**	0.62%-0.75%	Unsecured, not impaired
			2012	12,083	–		
			2011	**–**	**–**		
		Short-term loans (see Note 19)	**2013**	**(1,668,000)**	**–**	Interest bearing	Secured
			2012	(90,000)	1,668,000		
		Interest expense on short-term loans, gross of capitalized interest (see Notes 19 and 28)	**2013**	**40,036**	**–**	4.25% to 5.12%	Secured
			2012	78,072	–	4.50% to 7.00%	
			2011	100,060	–	7.00% to 7.50%	
		Long-term debt (see Note 22)	**2013**	**(3,391,200)**	**53,580**	Interest bearing	Secured
			2012	2,254,000	3,927,000		
		Interest expense on long-term debt (see Notes 15 and 28)	**2013**	**25,653**	**–**	3.75%-6.58%	Secured
			2012	156,667	–	4.25%-6.98%	
			2011	48,962	–	–	
SM Land, Inc.	With common stockholders	Operating lease (see Note 26)	**2013**	**10,535**	**3,337**	5 years, renewable	Not applicable
			2012	6,063	2,824		
		Service fee	**2013**	**12,500**	**–**		
SM Arena Complex Corporation	With common stockholders	Sponsorship agreement (see Note 26)	**2013**	**20,073**	**–**	5 years	Not applicable
			2012	11,594	–		
SMIC	Stockholder	HTM investments (see Note 13)	**2013**	**–**	**750,000**	Interest bearing, maturing in 7 and 10 years	Not applicable
			2012	750,000	750,000		
		Interest income on HTM investments (see Notes 13 and 28)	**2013**	**38,725**	**–**	6.00%-6.94%	Not applicable
			2012	17,906	–		
Belleshares Holdings, Inc.	Stockholders	Receivables	**2013**	**31,891**	**31,891**	Interest-free	Unsecured, interest-free
			2012	–	–		
Directors and officers	Key management personnel	Receivables (see Note 9)	**2013**	**(10,845)**	**1,138**	Interest-free	Unsecured, interest-free, partially provided amounting to ₱688
			2012	(2,337)	11,983		
		Short-term employee benefits	**2013**	**37,221**	**–**	Not applicable	Not applicable
			2012	31,422	–		
		Post-employment benefits	**2013**	**3,964**	**–**	Not applicable	Not applicable
			2012	3,964	–		

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

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

Transactions with other related parties are as follows:

- On May 12, 2012, the Company entered into an operating lease agreement with SM Land, Inc. covering its new office space (see Note 31).
- The Company entered into a sponsorship agreement with SM Arena Complex Corporation (SMACC) for 5 years commencing on May 21, 2012. The Company is charged for a sponsorship fee of ₱95.0 million payable in 5 equal installments of ₱19.0 million annually. In return, SMACC shall grant the Company marketing and promotional entitlements in the MOA Arena during the sponsorship period.
- The Parent Company entered into a service agreement with PLAI in 2012, wherein PLAI shall provide technical advisory support services relating to the operation, direction, management and supervision of the integrated resort project. Project management fee charged by PLAI to the Parent Company amounted to ₱8.0 million and ₱25.0 million in 2013 and 2012, respectively, and was eliminated in the consolidated statements of comprehensive income.
- The Parent Company entered into a service agreement with SM Land, Inc. in 2013, wherein SM Land shall perform specific services relative to the operations and personnel of the Parent Company's land and buildings. Service fee charged by SM Land to the Parent Company amounted to ₱12.5 million in 2013.

34. SIGNIFICANT CONTRACTS

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

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

As at December 31, 2012, the Escrow Fund was being maintained with a balance of US$50.3 million. Interest income earned on the Escrow Fund amounted to ₱12.1 million in 2012 (see Note 27). In May 2013, the Escrow was terminated as MCE Leisure (Philippines) Corporation ("MCE Leisure") deposited its own Escrow Fund to replace that of the Company. Thus, the balance of the Company's Escrow Fund amounted to nil as of December 31, 2013.

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

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

Cooperation Agreement with Melco
On October 25, 2012, the Company together with PLAI ("Philippine Parties"), formally entered into a Cooperation Agreement with Melco, a company listed in the Hong Kong Stock Exchange, which governs their cooperation in the development and operation of an integrated resort complex. The Cooperation Agreement places the Company as a co-licensee and the owner of the site's land and buildings, while Melco will be a co-licensee and operator of all the facilities within the resort complex.

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

Operating Agreement with Melco
On March 13, 2013, the Company, together with PLAI, entered into an Operating Agreement with MCE Holdings No. 2 (Philippines) Corporation ("MCE 2 Holdings"), MCE Holdings (Philippines) Corporation and MCE Leisure. Under the terms of the Operating Agreement, MCE Leisure was appointed as the sole and exclusive operator and manager of the casino development Project. The Operating Agreement shall be in full force and effect for the period of the PAGCOR License, unless terminated earlier in accordance with the agreements among the parties.

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

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

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

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

The investments in LIR-HK of Sinophil were recorded under "Available-for-sale financial assets" and are fully impaired as at December 31, 2011 (see Note 14). As at March 8, 2014, LIR-HK still has 1,000,000,000 undelivered Sinophil shares after the said shares have been foreclosed and successfully auctioned by the creditor of Metroplex.

35. CONTINGENCIES

In the normal course of business, there are certain tax cases and legal cases related to labor disputes and land ownership issues filed against the Company. Management and its legal counsel believe that the Company has substantial legal and factual bases for its position and are of the opinion that losses arising from the aforementioned cases, if any, will not have a material impact on the Company's consolidated financial statements.

36. BASIC/DILUTED EPS

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

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

37. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial Risk Management Objectives and Policies
The Company's principal financial assets and financial liabilities are composed of cash and cash equivalents, short-term investments, HTM investments, AFS financial assets, escrow fund, loans payables, long-term debt and assignment of receivables with recourse. The main purpose of these financial assets and financial liabilities is to raise finances for the Company's operations. The Company has various other financial assets and financial liabilities such as receivables, advances to associates and other related parties and accounts payable and other liabilities, which arise directly from its real estate operations.

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

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

The Company's policy is to manage its interest cost by limiting its borrowings. The Company's loans payable and long-term debt are subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's consolidated income before income tax in 2013 and 2012. There is no other impact on the Company's equity other than those already affecting the profit or loss in the consolidated statements of comprehensive income.

	2013		2012	
	Increase in Basis Points	**Decrease in Basis Points**	Increase in Basis Points	Decrease in Basis Points
	(In Thousands, Except Change in Basis Points)			
Change in basis points*	**+22**	**-22**	+44	-44
Effect on income before income tax	**(₱2,093)**	**₱2,093**	(₱4,076)	₱4,076

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

Foreign Currency Risk. Foreign currency risk is the risk that the fair value or future cash flows of financial asset or financial liability will fluctuate due to changes in foreign exchange rates. As at December 31, 2013 and 2012, the Company's foreign currency-denominated FRNs amounted to ₱977.2 million and ₱903.6 million (US$22.0 million), respectively. As at December 31, 2012, the Company's foreign-denominated escrow fund amounted to ₱2,064.5 (US$50.3 million).

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

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

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

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

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rates, with all other variables held constant, of the Company's consolidated income before tax as at December 31, 2013 and 2012. There is no other impact on the Company's equity other than those already affecting the profit or loss in the consolidated statements of comprehensive income.

	2013		2012	
	Increase in US$ Rate	**Decrease in US$ Rate**	Increase in US$ Rate	Decrease in US$ Rate
	(In Thousands, Except Change in US$ Rate)			
Change in US$ rate*	**₱3.13**	**(₱3.13)**	₱0.23	(₱0.23)
Effect on income before income tax	**(68,787)**	**68,787**	6,504	(6,504)

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

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

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

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

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

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

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

	2013						
	Neither Past Due nor Impaired	**Past Due but not Impaired**					
		Less than 30 Days	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Impaired**	**Total**
	(In Thousands)						
Cash and cash equivalents*	**₱1,020,396**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,020,396**
Receivables:							
Trade**	**716,838**	**3,897**	**3,910**	**13,292**	**113,104**	**5,773**	**856,814**
Others	**230,296**	**–**	**–**	**–**	**–**	**123,576**	**353,872**
Finance lease receivable	**9,752,212**	**–**	**–**	**–**	**–**	**–**	**9,752,212**
Advances to associates*** - net of subscription payable	**176,723**	**–**	**–**	**–**	**–**	**145,233**	**321,956**
Advances to related parties	**11,587**	**–**	**–**	**–**	**–**	**8,656**	**20,243**
HTM investments	**750,000**	**–**	**–**	**–**	**–**	**–**	**750,000**
AFS financial assets	**1,773,793**	**–**	**–**	**–**	**–**	**1,598,616**	**3,372,409**
Escrow fund	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	₱14,431,845	**₱3,897**	**₱3,910**	**₱13,292**	**₱113,104**	**₱1,881,854**	**₱16,447,902**

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

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

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

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

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

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

	2013			
	High Grade	**Medium Grade**	**Unrated**	**Total**
		(In Thousands)		
Cash and cash equivalents*	**₱1,020,396**	**₱–**	**₱–**	**₱1,020,396**
Receivables:				
Trade**	**716,838**	**–**	**–**	**716,838**
Others	**230,296**	**–**	**–**	**230,296**
Finance lease receivable	**9,752,212**			**9,752,212**
Advances to associates*** - net of subscription payable	**176,723**	**–**	**–**	**176,723**
Advances to related parties	**11,587**	**–**	**–**	**11,587**
HTM investments	**750,000**	**–**	**–**	**750,000**
AFS financial assets	**1,708,635**	**–**	**65,158**	**1,773,793**
	₱14,366,687	**₱–**	**₱65,158**	**₱14,431,845**

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

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

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

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

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

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

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

The following table summarizes the maturity profile of the Company's financial assets and financial liabilities as at December 31, 2013 and 2012 based on contractual undiscounted cash flows. The table also analyzes the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments and liquidity.

						2013
	On Demand	**< 6 Months**	**6 Months to 1 Year**	**1–3 Years**	**> 3 Years**	**Total**
			(In Thousands)			
Financial Assets						
Cash and cash equivalents	**₱1,170,396**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,170,396**
Receivables*	**274,840**	**98,048**	**122,566**	**312,220**	**137,935**	**945,609**
Finance lease receivable	**–**	**504,205**	**504,205**	**2,233,505**	**34,360,501**	**37,602,416**
Advances to associates** - net of subscription payable	**176,723**	**–**	**–**	**–**	**–**	**176,723**
Advances to related parties	**11,587**	**–**	**–**	**–**	**–**	**11,587**
HTM investments	**750,000**	**–**	**–**	**–**	**–**	**750,000**
AFS financial assets	**1,773,793**	**–**	**–**	**–**	**–**	**1,773,793**
	4,157,339	**602,253**	**626,771**	**2,545,725**	**34,498,436**	**42,430,524**
Financial Liabilities						
Loans payable***	**–**	**201,310**	**85**	**–**	**–**	**201,395**
Accounts payable and other liabilities****	**2,429,441**	**–**	**–**	**–**	**–**	**2,429,441**
Long-term debt***	**–**	**1,018,760**	**44,984**	**220,306**	**305,607**	**1,589,657**
Nontrade liability	**–**	**–**	**–**	**–**	**4,000,000**	**4,000,000**
Assignment of receivables with recourse***	**–**	**933**	**7,229**	**2,189**	**–**	**10,351**
	₱2,429,441	**₱1,221,003**	**₱52,298**	**₱222,495**	**₱4,305,607**	**₱8,230,844**

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

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

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

The Company expects to settle its maturing obligations on long-term debt from its gaming revenues from casino operations which is expected to open in 2014, rental income on land and casino building (see Note 34) and expected profits from real estate development operations.

Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes made in the objectives, policies or processes in 2013 and 2012.

The Company considers the following as its capital:

	2013	2012 (As restated)
	(In Thousands)	
Preferred stock	**₱1,000,000**	₱1,000,000
Common stock	**10,559,383**	10,559,383
Additional paid-in capital	**5,503,731**	5,503,731
Equity share in cost of Parent Company shares held by associates	**(2,501)**	(731,696)
Cost of Parent Company preferred and common shares held by subsidiaries	**(2,257,631)**	(562,375)
Retained earnings	**4,533,666**	893,813
	₱19,336,648	₱16,662,856

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

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

The debt-to-equity ratio is as follows:

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

Fair Value of Financial Assets and Financial Liabilities

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

	2013				
	Carrying Value	**Total**	**Quoted (Unadjusted) Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
			(In Thousands)		
Assets					
Assets measured at fair value -					
AFS financial assets (quoted)	**₱1,619,455**	**₱1,619,455**	**₱1,619,455**	**₱–**	**₱–**
Assets for which fair value is disclosed:					
Loans and receivables:					
Cash and cash equivalents	**1,170,246**	**1,170,246**	**–**	**–**	**1,170,246**
Receivables:					
Trade	**851,041**	**858,213**	**–**	**858,213**	**–**
Others	**230,296**	**230,296**	**–**	**–**	**230,296**
Finance lease receivable	**9,752,212**	**9,752,212**	**–**	**–**	**9,752,212**
Advances to associates** - net of subscription payable	**176,723**	**176,723**	**–**	**–**	**176,723**
Advances to related parties	**11,587**	**11,587**	**–**	**–**	**11,587**
AFS financial assets (unquoted)	**154,338**	**154,338**	**–**	**–**	**154,338**
HTM investments	**750,000**	**787,078**	**–**	**787,078**	**–**
	13,096,443	**13,140,693**	**–**	**1,645,291**	**11,495,402**
	₱14,715,898	**₱14,760,148**	**₱1,619,455**	**₱1,645,291**	**₱11,495,402**
Liabilities					
Liabilities for which fair value is disclosed:					
Loans payable	**₱201,395**	**₱201,395**	**₱–**	**₱–**	**₱201,395**
Accounts payable and other liabilities***	**2,429,441**	**2,429,441**	**–**	**–**	**2,429,441**
Nontrade liability	**4,000,000**	**4,000,000**	**–**	**–**	**4,000,000**
Long-term debt	**1,502,800**	**1,417,169**	**–**	**–**	**1,417,169**
Assignment of receivables with recourse	**89,549**	**83,469**	**–**	**–**	**83,469**
	₱8,223,185	**₱8,131,474**	**₱–**	**₱–**	**₱8,131,474**

* *Excluding non-financial trade receivables amounting to ₱129.5 million.*

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

****Excluding customers' deposits, statutory payables and other liabilities to the government.*

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

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

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

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

Cash and Cash Equivalents, Short-term Investments, Advances to Associates and Other Related Parties, Dividend and Other Receivables, Escrow Fund, Loans Payable, Accounts Payable and Other Liabilities and Nontrade Liability. The carrying values of these financial assets approximate their fair values due to the relatively short-term maturities of these financial assets and financial liabilities.

Trade Receivables. The fair value of these financial assets is determined by discounting the estimated cash flows using prevailing interest rates as at reporting dates. The discount rates used ranged from 1.0% to 4.8% in 2012 in 2013, 2.0% to 5.1% in 2012 and 3.9% to 8.5% in 2011.

Finance Lease Receivables. The fair value of finance lease receivable is determined by discounting the estimated cash flows using prevailing interest rate of 15.8% in 2013.

HTM Investments and AFS Financial Assets. The fair values of HTM investments in quoted debt securities and AFS financial assets in quoted equity shares are based on quoted prices in the PSE or those shares whose prices are readily available from brokers or other regulatory agency as at reporting date. There are no quoted market prices for the unlisted shares and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

Long-term Debt. The fair value of US FRNs and long-term loans payable is determined by discounting the obligations' expected future cash flows using the discount rate of 2.4% and 10.8% to 11.1%, respectively, in 2013, 2.5% and 8.8% to 10.4%, respectively, in 2012 and 2.2% and 9.3% to 10.4%, respectively, in 2011.

Assignment of Receivables with Recourse. The fair value of these instruments is determined by discounting the expected future cash flows using the discount rates ranging from 3.5% to 5.0% in 2013.

38. **CLASSIFICATION OF STATEMENT OF FINANCIAL POSITION ACCOUNTS**

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

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

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

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

39. **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

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

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

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

CORPORATE INFORMATION

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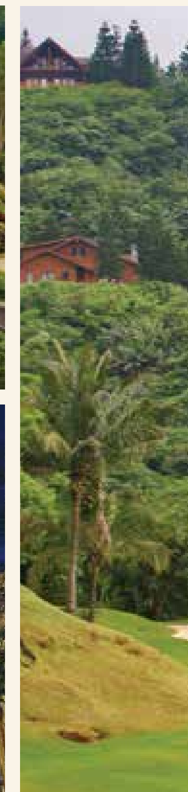

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