PREMIUM
LEISURE CORP.

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

WILY N. OCIER
Chairman of the Board

FREDERIC C. DYBUNCIO
President and Chief Executive Officer

JACKSON T. ONGSIP
Chief Finance Officer

Signed this 5th day of March 2015

MAR 27 2015

SUBSCRIBED AND SWORN to before me this ____ day of ________2015 affiants exhibiting to me their Passport, Drivers License and Tax Identification Numbers, as follows:

NAME	PASSPORT/DRIVERS LICENSE/TAX IDENTIFICATION NUMBER	DATE OF ISSUE	PLACE OF ISSUE
WILLY N. OCIER	EB6130282 TIN 101-934-954	August 14, 2012	Manila
FREDERIC C. DYBUNCIO	EC0634893 TIN 103-192-854	March 22, 2014	Manila
JACKSON T. ONGSIP	N03-90-097042 TIN 178-486-617	July 21, 2014	Manila

DOC NO. : 248
PAGE NO. : 51
BOOK NO. : 318
SERIES OF : 2015

NELSON Y. NG
NOTARY PUBLIC NO. M26 UNTIL 12/31/2016
PTR NO. 4744494 01/05/2015
IBP NO. 974889 09/23/2014
ATTORNEY'S ROLL NO. 28269
CITYLAND 10, H. V. DELA COSTA, MAKATI
MCLE IV 1710 - 03/11/2011

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	3	0	0	9	2	8	9

Company Name

PREMIUM LEISURE CORP. & SUBSIDIARIES (formerly Sinophil Corporation)

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.premiumleisurecorp.com	662-8888	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
554		12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Jackson T. Ongsip	jackson.ongsip@sminvestments.com	662-8888	

Contact Person's Address

5th Floor Tower A Two E-Com Center Palm Coast Ave., MOA Complex CBP-1A Pasay City

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

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Premium Leisure Corp.

We have audited the accompanying consolidated financial statements of Premium Leisure Corp. (formerly Sinophil Corporation) and Subsidiaries which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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Building a better working world

Opinion

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

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel

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

March 5, 2015

PREMIUM LEISURE CORP.
(Formerly Sinophil Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 8 and 21)	**₱2,692,121,573**	₱925,039
Receivables and others (Notes 9, 19 and 21)	**57,800,517**	26,201,799
Other current asset (Note 19)	**–**	65,501,280
Total Current Assets	**2,749,922,090**	92,628,118
Noncurrent Assets		
Intangible asset (Note 10)	**10,794,591,525**	–
Investment in an associate (Note 12)	**1,552,566,238**	–
Available-for-sale financial assets (Notes 11 and 21)	**489,801,169**	1,580,820,800
Investment properties (Note 13)	**285,510,452**	394,210,452
Other noncurrent assets	**469,298**	–
Total Noncurrent Assets	**13,122,938,682**	1,975,031,252
TOTAL ASSETS	**₱15,872,860,772**	₱2,067,659,370
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses and other current liabilities (Notes 14, 19 and 21)	**₱79,141,507**	₱53,321,503
Income tax payable	**4,812,080**	–
Total Current Liabilities	**83,953,587**	53,321,503
Noncurrent Liabilities		
Retirement liability (Note 7)	**1,047,500**	–
Due to Belle Corporation (Note 19)	**–**	179,011,579
Total Noncurrent Liabilities	**1,047,500**	179,011,579
TOTAL LIABILITIES	**85,001,087**	232,333,082
Equity (Note 15)		
Capital stock	**7,906,827,500**	7,927,310,000
Additional paid-in capital	**6,946,201,779**	2,039,727,799
Subscription receivable	**(185,480,975)**	(4,962,580,586)
Cost of Parent Company shares held by a subsidiary	**–**	(512,594,197)
Other reserves	**139,381,879**	315,951,765
Retained earnings (deficit)	**980,929,502**	(2,972,488,493)
Net Equity	**15,787,859,685**	1,835,326,288
TOTAL LIABILITIES AND EQUITY	**₱15,872,860,772**	₱2,067,659,370

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP.
(Formerly Sinophil Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
INCOME			
Revenue			
Gaming revenue share (Notes 16 and 23)	**₱38,809,095**	₱–	₱–
Other Income			
Gain on sale of land (Note 19)	**149,170,154**	–	–
Equity in net earnings of an associate (Note 12)	**31,521,474**	–	–
Interest income from cash in bank and cash equivalents (Note 8)	**6,465,350**	1,043	1,160
Dividend income	**1,999,754**	–	–
Gain on liquidating dividend (Note 13)	**–**	–	33,324,175
	189,156,732	1,043	33,325,335
	227,965,827	1,043	33,325,335
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	**(468,991,793)**	(8,735,710)	(6,913,678)
FAIR VALUE CHANGE DUE TO CANCELLATION OF SWAP AGREEMENT AND SALE OF GOLF CLUB SHARES (Note 11)	**1,643,407,304**	–	–
SHARE IN CUMULATIVE TRANSLATION ADJUSTMENTS OF AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 11)	**(58,318,988)**	–	–
PROVISION FOR IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 11)	**–**	–	(1,585,088,316)
INCOME (LOSS) BEFORE INCOME TAX	**1,344,062,350**	(8,734,667)	(1,558,676,659)
PROVISION FOR (BENEFIT FROM) CURRENT INCOME TAX (Note 18)	**5,117,366**	–	9,376,689
NET INCOME (LOSS)	**1,338,944,984**	(8,734,667)	(1,568,053,348)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods;			
Fair value change due to recovery of previous impairment	**1,643,407,304**	–	–
Recycling of fair value change due to cancellation of Swap Agreement and sale of golf club shares	**(1,643,407,304)**	–	–
Mark-to-market gains (losses) on available-for-sale financial assets (Note 11)	**23,420,369**	(20,800,737)	94,833,460
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods;			
Share in the other comprehensive loss of an associate accounted for using the equity method – net of tax (Note 12)	**(3,989,546)**	–	–
	19,430,823	(20,800,737)	94,833,460
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**₱1,358,375,807**	(₱29,535,404)	(₱1,473,219,888)
Basic/Diluted Earnings (Loss) Per Common Share (Note 20)	**₱0.086607**	(₱0.00112)	(₱0.20179)

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP.
(Formerly Sinophil Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

					Other Reserves				
	Capital Stock (Note 15)	**Additional Paid-in Capital** (Note 15)	**Subscriptions Receivable** (Note 15)	**Cost of Parent Company Shares Held by a Subsidiary** (Note 15)	**Cumulative Unrealized Mark-to-Market Gain on Available-for-Sale Financial Assets** (Note 11)	**Share in Cumulative Actuarial Losses of an Associate** (Note 12)	**Share in Cumulative Translation Adjustments of an Associate and Other Reserves** (Notes 11 and 15)	**Retained Earnings (Deficit)** (Note 15)	**Total**
Balance at December 31, 2013	**₱7,927,310,000**	**₱2,039,727,799**	**(₱4,962,580,586)**	**(₱512,594,197)**	**₱374,270,753**	**₱–**	**(₱58,318,988)**	**(₱2,972,488,493)**	**₱1,835,326,288**
Net income	–	–	–	–	–	–	–	**1,338,944,984**	**1,338,944,984**
Other comprehensive (income) loss									
Fair value change due to recovery of previous impairment	–	–	–	–	**1,643,407,304**	–	–	–	**1,643,407,304**
Recycling of fair value change due to cancellation of Swap Agreement and sale of golf club shares	–	–	–	–	**(1,643,407,304)**	–	–	–	**(1,643,407,304)**
Mark-to-market gain on available-for-sale financial assets	–	–	–	–	**23,420,369**	–	–	–	**23,420,369**
Share in other comprehensive loss of an associate accounted for using the equity method – net of tax	–	–	–	–	–	**(3,989,546)**	–	–	**(3,989,546)**
Total comprehensive (income) loss	–	–	–	–	**23,420,369**	**(3,989,546)**	–	**1,338,944,984**	**1,358,375,807**
Effect of quasi re-organization	**(5,195,482,500)**	**2,581,009,489**	–	–	–	–	–	**2,614,473,011**	–
Cancellation of Swap Agreement (Note 11)	**(1,000,000,000)**	**(559,847,304)**	–	–	–	–	**58,318,988**		**(1,501,528,316)**
Subscriptions during the year (Note 15)	**6,175,000,000**	**2,885,311,795**	–	–	–	–	–		**9,060,311,795**
Subscriptions collected (Note 15)	–	–	**4,777,099,611**	–	–	–	–	–	**4,777,099,611**
Sale of Parent Company shares held by a subsidiary (Note 15)	–	–	–	**477,256,825**	–	–	**(218,982,325)**	–	**258,274,500**
Reclassification	–	–	–	**35,337,372**	–	–	**(35,337,372)**	–	–
Balance at December 31, 2014	**₱7,906,827,500**	**₱6,946,201,779**	**(₱185,480,975)**	**₱–**	**₱397,691,122**	**(₱3,989,546)**	**(₱254,319,697)**	**₱980,929,502**	**₱15,787,859,685**

(Forward)

					Other Reserves				
	Capital Stock (Note 15)	**Additional Paid-in Capital** (Note 15)	**Subscriptions Receivable** (Note 15)	**Cost of Parent Company Shares Held by a Subsidiary** (Note 15)	**Cumulative Unrealized Mark-to-Market Gain on Available-for-Sale Financial Assets** (Note 11)	**Share in Cumulative Actuarial Losses of an Associate** (Note 12)	**Share in Cumulative Translation Adjustments of an Associate and Other Reserves** (Notes 11 and 15)	**Retained Earnings (Deficit)** (Note 15)	**Total**
Balance at December 31, 2012	₱7,927,310,000	₱2,039,727,799	(₱4,962,655,586)	(₱512,594,197)	₱395,071,490	₱–	(₱58,318,988)	(₱2,963,753,826)	₱1,864,786,692
Net loss	–	–	–	–	–		–	(8,734,667)	(8,734,667)
Other comprehensive loss									
Mark-to-market loss on available-for-sale financial assets	–	–	–	–	(20,800,737)	–	–	–	(20,800,737)
Total comprehensive loss	–	–	–	–	(20,800,737)	–	–	(8,734,667)	(29,535,404)
Subscriptions collected	–	–	75,000	–	–	–	–	–	75,000
Balance at December 31, 2013	₱7,927,310,000	₱2,039,727,799	(₱4,962,580,586)	(₱512,594,197)	₱374,270,753	–	(₱58,318,988)	(₱2,972,488,493)	₱1,835,326,288
Balance at December 31, 2011	₱7,927,310,000	₱2,039,727,799	(₱4,962,993,086)	(₱512,594,197)	₱300,238,030		(₱58,318,988)	(₱1,395,700,478)	₱3,337,669,080
Net loss	–	–	–	–	–		–	(1,568,053,348)	(1,568,053,348)
Other comprehensive income									
Mark-to-market gain on available-for-sale financial assets	–	–	–	–	94,833,460	–	–	–	94,833,460
Total comprehensive income (loss)	–	–	–	–	94,833,460	–	–	(1,568,053,348)	(1,473,219,888)
Subscriptions collected	–	–	337,500	–	–	–	–	–	337,500
Balance at December 31, 2012	₱7,927,310,000	₱2,039,727,799	(₱4,962,655,586)	(₱512,594,197)	₱395,071,490	₱–	(₱58,318,988)	(₱2,963,753,826)	₱1,864,786,692

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP.
(Formerly Sinophil Corporation)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱1,344,062,350**	(₱8,734,667)	(₱1,558,676,659)
Adjustments for:			
Fair value change due to cancellation of Swap Agreement and sale of golf club shares (Note 11)	**(1,643,407,304)**	–	–
Provisions for impairment of:			
Receivables and others (Note 9)	**349,691,841**	256,937	141,562
Available-for-sale financial assets (Note 11)	**–**	–	1,585,088,316
Gain on sale of land (Note 19)	**(149,170,154)**	–	–
Share on cumulative translation adjustments of available-for-sale financial asset (Note 11)	**58,318,988**	–	–
Amortization of intangible asset (Notes 10 and 17)	**48,624,286**	–	–
Equity in net earnings of an associate (Note 12)	**(31,521,474)**	–	–
Interest income from cash in bank and cash equivalents (Note 8)	**(6,465,350)**	(1,043)	(1,160)
Dividend income	**(1,999,754)**		
Retirement expense (Note 7)	**1,047,500**		
Depreciation of property and equipment (Note 17)	**203,368**		
Gain on liquidating dividend (Note 13)	**–**	–	(33,324,175)
Operating loss before working capital changes	**(30,615,703)**	(8,478,773)	(6,772,116)
Decrease (increase) in receivables and others	**(381,290,559)**	11,438,141	13,078,499
Increase (decrease) in accrued expenses and other current liabilities	**21,842,615**	(45,567)	248,229
Cash used generated from (used for) operations	**(390,063,647)**	2,913,801	6,554,612
Income taxes paid	**–**	(2,854,689)	(6,522,000)
Interest received	**6,465,350**	1,043	1,160
Net cash provided by (used in) operating activities	**(383,598,297)**	60,155	33,772
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of interest in a subsidiary - net of cash acquired from subsidiary (Note 2)	**(10,840,082,454)**	–	–
Acquisition of interest in an associate (Notes 2 and 12)	**(1,525,034,310)**	–	–
Proceeds from redemption of preferred shares (Note 11)	**1,000,000,000**	–	–
Proceeds from sale of land and other assets (Note 19)	**323,371,434**	–	–
Proceeds from sale of available-for-sale financial assets (Note 11)	**198,000,000**	–	–
Decrease in due to Belle Corporation	**(179,011,579)**	–	–
Dividends received	**1,999,754**	–	–
Increase in other noncurrent assets	**(133,920)**	–	–
Net cash used in investing activities	**(11,020,891,075)**	–	–
CASH FLOWS FROM FINANCING ACTIVITIES			
Subscriptions by Belle Corporation (Note 15)	**9,060,311,795**	–	–
Collections of subscription receivable (Note 15)	**4,777,099,611**	75,000	337,500
Proceeds from sale of Parent Company shares (Note 15)	**258,274,500**	–	–
Cash provided by financing activities	**14,095,685,906**	75,000	337,500
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,691,196,534**	135,155	371,272
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**925,039**	789,884	418,612
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 8)	**₱2,692,121,573**	₱925,039	₱789,884

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP.
(Formerly Sinophil Corporation)
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **General Information**

Corporate Information
Premium Leisure Corp., formerly Sinophil Corporation, ("PLC" or "Parent Company"), incorporated and registered with the Philippine Securities and Exchange Commission (SEC) as Sinophil Exploration Co., Inc. on November 26, 1993, was originally organized with oil and gas exploration and development as its primary purpose and investments and development as among its secondary purposes.

On June 3, 1997, the SEC approved PLC's application for a change in its primary purpose from oil and gas exploration and development to investment holding and real estate development. Beginning 1998, PLC repositioned itself as an investment holding company. PLC, a publicly-listed company traded in the Philippine Stock Exchange (PSE), was 78.86% and 58.1% (direct and indirect) owned by Belle Corporation ("Belle") and the rest by the public as at December 31, 2014 and 2013, respectively. In September 2014, Belle's effective ownership interest in PLC increased from 52.58% to 89.83% but subsequently reduced to 78.86% upon the sale of 3.7 billion shares by Belle, APC Group, Inc. (APC) and Foundation Capital Resources, Inc. (FCRI) in October 2014.

The accompanying consolidated financial statements include the accounts of the Parent Company, PremiumLeisure and Amusement, Inc. (PLAI), FCRI and Sinophil Leisure and Resorts Corporation (SLRC), wholly-owned subsidiaries and incorporated in the Philippines. PLC and its subsidiaries (collectively referred to as "the Company") have an investment portfolio consisting of interest in gaming, real estate entities and public amusement recreation.

On September 5, 2014, the SEC approved the amendments to the Company's Articles of Incorporation which include, among others, the change in primary purpose to authorize the Company to engage in and/or invest in gaming businesses, and increase in authorized capital stock from 16,130,000,000 shares to 43,630,000,000 shares (see Note 15).

The registered office address of the Company is 5th Floor, Tower A, Two E-Com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City, Metro Manila.

Authorization for 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 5, 2015.

2. **Corporate Reorganization**

On June 2, 2014, the Board of Directors of the Company approved a plan to take on the gaming business and interests of Belle Corporation (the "Investment Plan"). In line with this, the Company was authorized:

(1) To sell to Belle its non-gaming related assets consisting of the following:

- Membership shares in Tagaytay Midlands Golf Club, Inc. (see Note 11);

- A lot with gross area of 4,348 square meters located within the Aseana Business Park at the Manila Bay Reclamation Area (see Note 13);
- Several parcels of land in The Parks at Saratoga Hills within the Tagaytay Midlands Complex; and
- Undeveloped land located in the City of Tanauan, Province of Batangas (see Note 19).

(2) To acquire from Belle the following:

- 100% ownership interest in PLAI for a consideration of ₱10,847,820,000 (see Note 10);
- 34.5% ownership interest in Pacific Online Systems Corporation (“POSC”) for a consideration of ₱1,525,034,310 (see Note 12).

(3) To execute a Memorandum of Agreement (Second Amendment Agreement to the Settlement Agreement dated August 28, 2009) for the redemption of 1,000,000,000 preferred shares by Belle for a cash consideration of ₱1,000,000,000 (see Note 11).

3. Basis of Preparation and Consolidation and Statement of Compliance

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

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its wholly owned subsidiaries, PLAI, FCRI and SLRC (collectively referred to as “the Company”) (see Note 1). Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

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

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The subsidiaries are fully 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 intercompany balances, transactions, income and expense and profits and losses from intercompany transactions are eliminated in full upon consolidation.

4. Changes in Accounting Policies and Disclosures

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

- Philippine Accounting Standard (PAS) 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets* (Amendments)
- Investment Entities (Amendments to PFRS 10,*Consolidated Financial Statements,* PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements)*
- Philippine Interpretation IFRIC 21, *Levies*
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)

Improvements to PFRSs

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

- Annual improvements to PFRSs 2010–2012 Cycle (PFRS 13, *Fair Value Measurement*)
- Annual improvements to PFRSs 2011–2013 Cycle (PFRS 1, *First-time Adoption of PFRS*)

5. Future Changes in Accounting Policies

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

Effective in 2015

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

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

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

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

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

Effective after 2015

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

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

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

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of

PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not be applicable to the Company.

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

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

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

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

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

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

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

- PFRS 14, *Regulatory Deferral Accounts*

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

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

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

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

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

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

Annual Improvements to PFRSs

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

<u>Annual Improvements to PFRS (2010-2012 Cycle)</u>

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*

  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Annual Improvements to PFRS (2011-2013 Cycle)</u>

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

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

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

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

- PAS 40, *Investment Property*

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

Annual Improvements to PFRSs (2012-2014 cycle)

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

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

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

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

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

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

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

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

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

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

Deferred Effectivity

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

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. This interpretation will not be applicable to the Company.

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

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

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

6. Summary of Significant Accounting Policies

<u>Cash and cash equivalents</u>
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of change in value. Cash in bank and short-term deposits earn interest at the prevailing bank deposit rates.

<u>Financial Assets</u>

Date of Recognition of Financial Assets. The Company recognizes financial assets in the 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 and Subsequent Measurement. 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.

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading, derivative financial instruments and those designated upon initial recognition as at FVPL.

Financial assets are classified as held for trading if they are entered into for the purpose of short-term profit taking. Derivatives, including separated embedded derivatives, are accounted for as financial assets at FVPL unless they are designated as effective hedging instruments or a financial guarantee contract.

Financial assets at FVPL are subsequently recorded at fair value. Changes in fair value of such assets are accounted for in profit or loss. Interest earned or incurred is recorded as interest income or expense, respectively.

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

The Company has no financial assets at FVPL and derivatives designated as hedging instruments as at December 31, 2014 and 2013.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL or AFS financial assets. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

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

As at December 31, 2014 and 2013, this category includes the Company's cash and cash equivalents and receivables and others (except for input VAT) (see Notes 8 and 9).

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Company's management has the positive intention and ability to hold to maturity. Where the Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest method, less any 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 effective interest rate. Gains and losses are recognized in profit or loss when the HTM investments are derecognized or impaired, as well as through the amortization process. Assets under this category are classified as current assets if maturity date is within 12 months from reporting date and as noncurrent assets if maturity date is more than a year from reporting date.

The Company has no HTM investments as at December 31, 2014 and 2013.

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

AFS financial assets are carried at fair value with unrealized gains or losses recognized under other comprehensive income until the financial asset is derecognized or determined to be impaired at which time the accumulated gains or losses previously reported under other comprehensive income are included in profit or loss. AFS financial assets that are not quoted in an active market and whose fair value cannot be measured reliably are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of investment. If a reliable measure ceases to be available, AFS financial assets are thereafter measured at cost, which is deemed to be the fair value carrying amount at that date.

Assets under this category are classified as current assets if expected to be realized within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

The Company designates financial instruments as AFS if they are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

As at December 31, 2014 and 2013, this category includes the Company's investments in shares of stock shown under "Available-for-sale financial assets" account in the consolidated statements of financial position (see Note 11).

Financial Liabilities

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 or 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.

Financial Liabilities at FVPL. Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Company elects to designate a financial liability under this category.

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

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

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest 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. Other financial liabilities are included in current liabilities if maturity is within 12 months from the reporting date or the Company does not have an unconditional right to defer payment for at least 12 months from the reporting date. Otherwise, these are classified as noncurrent liabilities.

This Company's liabilities arising from operations such as accrued expenses and other current liabilities (excluding statutory payables), and advances from Belle Corporation are classified under this category as at December 31, 2014 and 2013 (see Notes 14 and 19).

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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Determination of Fair Value and Fair Value Hierarchy of Financial Assets and Financial Liabilities

The fair value for financial assets and financial liabilities traded in active markets at each 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;
- 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 21.

Amortized Cost of Financial Assets and Financial Liabilities
Amortized cost is computed using the effective interest rate 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 non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss 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.

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.

Assets Carried at Amortized Cost. For 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 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.

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.

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 clients. 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.

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 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.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income) is removed from other comprehensive income and recognized in the consolidated statement of comprehensive income as part of profit or loss. Impairment losses on equity investments are not reversed through profit or loss in the consolidated statement of comprehensive income. Increases in their fair value after impairment are recognized directly in other comprehensive income in the consolidated statement of comprehensive income.

Assets 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 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 asset, 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. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, 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.

Investment in an Associate

The Company's investment in an associate is accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate less any dividends declared and impairment loss. Goodwill, if any, relating to an associate is included in the carrying amount of the investment and is neither amortized nor separately tested for impairment. The consolidated statement of comprehensive income reflects the Company's share of the results of operation of the associate. When there has been a change recognized directly in the equity of the associate, the Company recognizes its share in any changes and discloses this, when applicable, in the consolidated statement of comprehensive income and changes in equity. Unrealized gains arising from transactions with associates are eliminated to the extent of the Company's interests in the associates, against the respective investment account.

The share in net earnings of an associate is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate.

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

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on its investment in its associate. The Company determines at each end of reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the "equity in net earnings of an associate" in the consolidated statement of comprehensive income.

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

Asset Acquisition

When property is acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between 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.

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 the related expenditure is reflected in the consolidated statement of comprehensive income in the year the expenditure is incurred.

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

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

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

Property and Equipment (presented as part of Other Noncurrent Assets)

Property and equipment are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation 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.

Depreciation 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:

Computer equipment	4 years
Transportation equipment	3 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 periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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.

<u>Investment Property</u>
Investment property, which consists of land, is carried at cost less any impairment in value.

Investment property is derecognized when either it has 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 on the retirement or disposal of an investment property 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 sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy for property, plant and equipment up to the date of change in use.

<u>Impairment of Nonfinancial Assets</u>
The Company assesses at each reporting date whether there is an indication that the investment property and property and equipment may be impaired. If any such indication exists or 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 cost 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. When 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 cost 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 the expense category consistent with the function of the impaired asset.

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 the consolidated statement of comprehensive income either as part of profit or loss for the year or as part of other comprehensive income in the case of asset carried at revalued amount.

Retirement Liability

The Company follows the minimum requirements set forth by Republic Act (RA) No. 7641, *An Act amending Article 287 of Presidential Decree no. 442, as amended, otherwise known as "The Labor Code of the Philippines",* covering all regular employees based on current monthly basic salaries. The retirement cost is determined using the projected unit credit method. Projected credit unit method reflects services rendered by employees to the date of the valuation and incorporates assumptions concerning employees' projected salaries. The present value of an entity's obligations reflects the discounted estimated amount of benefit that employees have earned in return for their service in the current and prior periods. This requires the entity to determine how much benefit is attributable to the current and prior periods based on the plan's benefit formula and to make actuarial assumptions about demographic and financial variables.

Equity

Capital stock is measured at par value for all shares issued. Incremental costs incurred 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 (deficit) represent accumulated net earnings (losses).

Subscription receivable represents the unpaid portion of subscription of capital shares by the investors.

The Parent Company shares held by a subsidiary are accounted for as equity instruments which are reacquired and are recognized at cost and deducted from equity. No gain or loss is recognized 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.

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, regardless of when the payment is being made. 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 following specific recognition criteria must also be met before revenue is recognized:

Gaming Revenue Share. Revenue representing monthly payments from MCE Leisure (Philippines) Corp., or Melco, based on the performance of gaming operations of City of Dreams Manila integrated resort and casino is recognized when earned pursuant to the Operating Agreement (see Notes 16 and 23).

Interest Income. Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

Dividend Income. Revenue is recognized when the shareholders' right to receive the payment is established.

Equity in Net Earnings of an Associate. The Company recognizes its share in the net income of an associate proportionate to the equity in the economic shares of such associates, in accordance with the equity method.

Other Income. These are recognized when there are incidental economic benefits, other than the usual business operations, that will flow to the Company and can be measured reliably.

Expense Recognition

Expenses are recognized when these are incurred.

Foreign Currency Transactions and Translation

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 taken to profit or loss in the consolidated statement of comprehensive income with the exception of differences on foreign currency exchange borrowings that provide a hedge against a net investment in a foreign entity. These are recorded as part of other comprehensive income and taken to equity until the disposal of the net investment, at which time they are recognized in net loss in the consolidated statement of comprehensive income. Tax charges and credits attributable to exchange rate differences on those borrowings are also dealt with in equity. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of a foreign operation and translated at the closing exchange rate.

The "Share in cumulative translation adjustments of an associate" account also includes the Company's share in translation adjustments, under the current rate method, on the financial statements of Legend International Resort H.K. (LIR-HK) Limited, before the Company discontinued using the equity method of accounting for its investments in LIR-HK (see Note 11).

Income Taxes

Current Tax. Current income tax assets and current 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.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused NOLCO 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 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 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, assets, and liabilities 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 carrying value of Input VAT is included under "Receivables and others" account in the consolidated statement of financial position (see Note 9).

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 interest expense.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to 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.

Earnings (Loss) per Share
Earnings (Loss) per share is computed by dividing net income (loss) by the weighted average number of issued and outstanding common shares during the year after deducting treasury shares, if any.

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, other equity 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 upon consolidation.

7. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment in the future to the carrying amount of the asset or liability affected.

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

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

Judgments
In the process of applying the accounting policies, management has made judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements.

Asset Acquisition. In 2014, the Company acquired 100% ownership interest in PLAI. Management considered the substance of the assets and activities of the acquired entity and assessed that the acquisition of a subsidiary does not represent a business, but rather an acquisition of an intangible asset, the subsidiary being just the grantee of the provisional license from Philippine Amusement and Gaming Corporation's, or PAGCOR, (see Note 10). 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.

Acquisition of POSC. As discussed in Note 12, the PLC acquired 34.5% interest in POSC as part of its overall strategy to engage in the gaming industry. Based on management's judgment, PLC's investment gives PLC significant influence over POSC as evidenced by more than 20% voting interest.

The carrying value of investment in POSC amounted to ₱1,552.6 million as at December 31, 2014 (see Note 12).

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 Fair Value of Financial Assets and Financial Liabilities. PFRS requires certain financial assets and liabilities to be 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, 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 liabilities.

The fair value of financial assets and financial liabilities as at December 31, 2014 and 2013, are disclosed in Note 21.

Determination of Fair Value of Financial Assets Not Quoted in an Active Market. The Company classifies 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 there is no available reference to its market.

The carrying value of investments in unquoted shares amounted to ₱1,000.0 million as at December 31, 2013 (see Note 11). In 2014, the 1 billion preferred shares were redeemed by Belle.

Determination of Impairment of Receivables. The Company maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the collectability of the accounts. These factors include, but not limited to, the length of relationship with the customers, the customer'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. Factors considered in individual assessment are payment history, past due status and term. A provision is also established as a certain percentage of receivables not provided with specific reserves. This percentage is based on a collective assessment of historical collection, changes in counterparty 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 general and administrative expenses and decrease its current assets.

Provision for doubtful accounts on receivables recognized in 2014 amounted to ₱340.7 million. No provision recognized in 2013 and 2012. Allowance for doubtful accounts amounted to ₱427.7 million and ₱87.0 million as at December 31, 2014 and 2013, respectively. The aggregate carrying values of receivables amounted to ₱50.28 million and ₱12.34 million as at December 31, 2014 and 2013, respectively (see Note 9).

Determination of Commencement of Amortization of Gaming License. The Company's gaming license ("License") will be amortized on a straight-line basis over the term of the License which is concurrent with PAGCOR congressional franchise set to expire in 2033. The amortization of the License commenced on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR which replaced the provisional license (see Note 10).

Evaluation 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 loss was recognized in 2014 and 2013. In 2012, the Company recognized an impairment loss amounting to ₱1,585.1 million. However, as discussed in Note 11, the Company implemented the cancellation of the LIR shares and therefore reversed the impairment loss recognized in prior years on the shares amounting to ₱1,559.8 million. Moreover, impairment loss on golf club shares amounting to ₱83.6 million was likewise reversed in 2014 as a result of sale. The aggregate carrying values of AFS financial assets amounted to ₱489.8 million and ₱1,580.8 million as at December 31, 2014 and 2013, respectively. Allowance for impairment on

AFS financial asset amounted to ₱516.6 million ₱2,160.0 million as at December 31, 2014 and 2013, respectively (see Note 11).

Determination of Impairment of Nonfinancial Assets. The Company assesses whether there are any indicators of impairment for all nonfinancial assets at each reporting date. Investment property is tested for impairment when there are indicators that the carrying amount may not be recoverable. Determining the value 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 financial position and performance.

No provision for impairment loss on investment properties, property and equipment and other current asset was recognized in 2014, 2013 and 2012. The aggregate carrying value of investment properties amounted to ₱285.5 million and ₱394.2 million as at December 31, 2014 and 2013, respectively (see Notes 13 and 19). Property and equipment shown under "Other noncurrent assets" had an aggregate value of ₱0.40 million as at December 31, 2014.

Realizability of Input VAT. The carrying amount of input VAT is reviewed at each reporting date and reduced to the extent that such input VAT will not be realized as there will be no available output VAT to be applied.

The carrying value of input VAT is reduced through the use of an allowance account. The allowance, if any, is established by charges to income in the form of provision for probable loss on input VAT. The amount and timing of recorded expenses for any period would therefore differ based on the judgment or estimates made. An increase in the allowance for probable loss on input VAT would increase the Company's recorded expenses and decrease current assets.

Input VAT, included under "Receivables and others", was provided with allowance for probable losses amounting to ₱11.0 million and ₱2.1 million as at December 31, 2014 and 2013, respectively (see Notes 9 and 17). Provision for probable loss on input VAT amounted to ₱8.9 million and ₱0.2 million in 2014 and 2013, respectively.

Recognition of Deferred Tax Assets. Deferred tax assets are recognized for all deductible temporary differences and unused NOLCO to the extent that it is probable that taxable profit 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 profits together with future tax planning strategies.

Unrecognized deferred tax assets amounted to ₱147.4 million and ₱510.1 million as at December 31, 2014 and 2013, respectively (see Note 18).

Determination of Retirement Expense. The Company follows the minimum requirements set forth by RA No. 7641 covering all regular employees. The Company's cost and obligation to make payments to employees are recognized during the employees' period of service. The cost and obligation are measured using the projected unit credit method, assuming a certain percent of average salary increase using the current market yield for government securities. The benefits are based on employees' projected salaries and length of service. While it is believed that the Company's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's retirement expense and liability.

Retirement liability amounted to ₱1.0 million as at December 31, 2014.

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

8. Cash and Cash Equivalents

	2014	2013
Cash on hand and in banks	**₱473,098,345**	₱925,039
Short-term deposits	**2,219,023,228**	–
	₱2,692,121,573	₱925,039

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

Interest income earned from cash in banks and short-term deposits amounted to ₱6.5 million in 2014. The amount of interest income in 2013 and 2012 is insignificant.

9. Receivables and Others

This account consists of:

	2014	2013
Loan assets	**₱422,341,815**	₱81,627,975
Accounts receivable (see Notes 16 and 23)	**38,809,095**	–
Advances to related parties (see Note 19)	**16,824,700**	17,692,279
Input VAT and Others	**18,555,728**	15,920,525
	496,531,338	115,240,779
Less allowance for doubtful accounts and probable loss on input VAT	**438,730,821**	89,038,980
	₱57,800,517	₱26,201,799

<u>Receivables</u>
Loan assets pertain to the following:

(a) Parent Company's acquisition of Legend International Resort H.K. (LIR-HK) Limited's loan from Union Bank of the Philippines for a total consideration of ₱81.6 million (see Note 11); and
(b) Parent Company's receivable from Metroplex amounting to ₱340.7 million as a result of the compensation to parties who were currently in possession of the shares in connection with the cancellation of the remaining 1,000,000,000 undelivered PLC shares (see Note 11).

The loan assets were fully provided with allowance as at December 31, 2014 and 2013.

The terms and conditions of advances to related parties are disclosed in Note 19.

Others

Others mainly pertain to input VAT amounting to ₱11.0 million and ₱9.9 million as at December 31, 2014 and 2013, respectively, with allowance for probable loss amounting to ₱11.0 million and ₱2.1 million as at December 31, 2014 and 2013, respectively.

Movement of allowance for doubtful accounts follows:

	2014	2013
Balance at beginning of year	**₱86,977,098**	₱86,977,098
Provision for doubtful accounts (see Note 17)	**340,713,840**	–
Balance at end of year	**₱427,690,938**	₱86,977,098

Movement of allowance for probable loss on input VAT is as follows:

	2014	2013
Balance at beginning of year	**₱2,061,882**	₱1,804,945
Provision for probable losses (see Note 17)	**8,978,001**	256,937
Balance at end of year	**₱11,039,883**	₱2,061,882

10. **Intangible Asset**

Intangible asset pertains to the "License" granted by PAGCOR for which PLAI is a co-licensee to operate integrated resorts, including casinos. The License runs concurrent with PAGCOR's Congressional Franchise, set to expire in 2033 (see Note 23).

The amortization of the intangible asset on the License started on December 14, 2014, the effectivity of the Notice to Commence Casino Operations granted by PAGCOR. For the year ended December 31, 2014, amortization of intangible recognized in the consolidated statement of comprehensive income amounted to ₱48.6 million (see Note 17).

11. **Available-for-Sale Financial Assets**

AFS financial assets consist of the following:

	2014	2013
Quoted shares:		
Belle - common shares (see Note 19)	**₱487,940,069**	₱490,939,700
Golf club shares (see Note 19)	**1,780,000**	89,800,000
Others	**70,000**	70,000
	489,790,069	580,809,700
Unquoted shares:		
Belle - preferred shares (see Note 2)	–	1,000,000,000
Others	**11,100**	11,100
	11,100	1,000,011,100
	₱489,801,169	₱1,580,820,800

Movements of this account are as follows:

	2014	2013
Cost:		
Balance at beginning of year	**₱3,366,556,838**	₱3,366,556,838
Cancellation of Swap Agreement	**(1,559,847,304)**	–
Redemption of preferred shares	**(1,000,000,000)**	–
Disposal during the year	**(198,000,000)**	–
Balance at end of year	**608,709,534**	3,366,556,838
Cumulative unrealized mark-to-market gain on AFS financial assets:		
Balance at beginning of year	**374,270,753**	395,071,490
Net increase (decrease) during the year	**23,420,369**	(20,800,737)
Balance at end of year	**397,691,122**	374,270,753
Accumulated impairment loss:		
Balance at beginning of year	**(2,160,006,791)**	(2,160,006,791)
Fair value change due to recovery of previous impairment	**1,643,407,304**	–
Balance at end of year	**(516,599,487)**	(2,160,006,791)
	₱489,801,169	₱1,580,820,800

There are no quoted market prices for the unlisted shares of stock and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

Belle

The investment in common shares of Belle is carried at market value.

The Company's investment in preferred shares is entitled to 9.75% cumulative dividend per annum. This investment and its accumulated unpaid dividend are the subjects of a settlement agreement entered into between PLC and Belle on August 28, 2009, as amended in 2013 and 2014 (see Note 19).

As discussed in Note 2, Belle preferred shares were redeemed for ₱1.0 billion cash (see Note 19).

Golf Club Shares

In accordance with the Settlement Agreement executed between PLC and Belle in 1997, PLC received 220 shares of Tagaytay Midland Golf Club, Inc. ("TMGCI"). In 2012, PLC recognized provision for impairment on the club shares amounting to ₱83.6 million in the consolidated statement of comprehensive income.

In 2014, PLC sold to Belle the 220 shares in TMGCI for a consideration of ₱198.0 million (see Note 2). Impairment loss recognized in 2012 amounting to ₱83.6 million was reversed accordingly.

Metro Manila Turf Club (MMTC)

MMTC is involved in the establishment, operation and maintenance of stadium, arenas, tracks, turf and other facilities for the conduct of any and all kinds of sports and games. On July 25, 1994, MMTC was granted a 25-year franchise to construct, operate and maintain a racetrack for horse racing in the city of Caloocan. An amendment to the franchise to operate in the province of Batangas, Cavite, Laguna and Rizal was approved by the Congress of the Philippines on June 9, 1997.

Belle and PLC partially sold their ownership in MMTC's capital stock in 2009 to a group of private investors, thereby reducing Belle and PLC's ownership as at December 31, 2009 from 42.5% and 45% to 8.75% and 3.75%, respectively.

As a result of the Company's loss of significant influence over MMTC, the investment was reclassified and presented in the consolidated statements of financial position as AFS financial assets effective December 31, 2009.

Legend International Resort H.K. Limited

In 1997, PLC (then Sinophil Corporation), together with Belle (then a 32% shareholder) entered into a Swap Agreement with Paxell Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as "Metroplex") whereby PLC issued 3,870,000,000 of its common shares in exchange for 46,381,600 shares of Legend International Resort H.K. Limited (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 Belle, PLC, Metroplex and LIR-HK rescinding the Swap Agreement and cancelling all obligations stated therein and reversing all the transactions as well as returning all the objects thereof in the following manner:

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

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

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

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

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

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

On June 24, 2008, upon obtaining the approval of the SEC, the 1,000,000,000 PLC shares in the name of Metroplex were cancelled. As a result, investment in LIR-HK was reduced by

₱1,501.5 million in 2008. The corresponding decrease in capital stock, additional paid-in capital and share in cumulative translation adjustments of an associate amounted to ₱1,000.0 million, ₱559.8 million and ₱58.3 million, respectively. In 2009, PLC applied with the SEC for further decrease of its authorized capital stock for 1,000,000,000 shares. This application was approved on July 9, 2009 by the SEC. However, PLC did not effect such decrease in authorized capital stock as these cannot be surrendered for cancellation (see Note 15).

In 2009, Metroplex filed before the Court of Appeals (CA) to review the Order of the SEC denying their petition to nullify the approval of the reduction of the capital stock of the Parent Company. Petition was elevated to the Supreme Court (SC) after the CA sustained the SEC ruling (see Notes 7 and 19). The deal was scuttled when the remaining 1,000,000,000 undelivered PLC shares (hereinafter referred to as the "Shares") are being held by another creditor, Evanston Asset Holdings Pte. Ltd ("Evanston"), as collateral for loans obtained by Metroplex. Metroplex was previously negotiating for the release of such pledge to be able to carry out the terms of the MOA. However, during 2012, PLC was informed by Evanston that they had undertaken foreclosure proceedings on the Shares. While Evanston has stated willingness to negotiate with PLC towards the transfer of the Shares, there is no assurance that PLC will be able to acquire the Shares from Evanston. Thus, PLC recognized full impairment loss on its investment in LIR-HK in view of the then uncertainty of implementing the MOA rescinding the Swap Agreement.

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

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

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

On April 22, 2014, PLC filed with the SEC a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013 and proceeded to effect the cancellation of the shares and compensated the parties who were in possession of the remaining 1,000,000,000 PLC shares. In view of this, PLC reinstated the value of its investment in LIR -HK and through reversal of the impairment loss recognized in prior year of ₱1,559.8 million together with the reversal of the capital stock and related additional paid-in capital. Consequently, the related share in the cumulative translation adjustments of ₱58.3 million was recycled to profit and loss. Correspondingly, PLC recognized a receivable from Metroplex for ₱340.7 million which was the cost of implementing the MOA rescinding the Swap Agreement and the cancellation of the said Shares (see Note 15).

12. **Investment in an Associate**

On July 22, 2014, PLC executed several Deeds of Sales of Shares with Belle and certain of its subsidiaries for the acquisition of 101,668,953 POSC common shares at a subscription price of ₱15 per share equivalent to 34.5% ownership interest in POSC for a total consideration of ₱1,525,034,310.

Investment in POSC is accounted for under the equity method.

Acquisition costs	₱1,525,034,310
Accumulated equity in net earnings:	
Balance at beginning of year	–
Equity in net earnings for the year	31,521,474
Share in the other comprehensive loss of associate accounted for using the equity method	(3,989,546)
Balance at end of year	27,531,928
	₱1,552,566,238

Condensed financial information of POSC as at December 31, 2014 follows:

Consolidated statement of comprehensive income:*	
Revenues	₱1,731,092,039
Cost and expenses	1,202,281,122
Other income	7,784,417
Net income	366,530,090
Total comprehensive income	354,966,190
Dividends received by PLC from POSC	–
Consolidated statement of financial position:	
Current assets	1,771,168,578
Noncurrent assets	580,392,447
Current liabilities**	458,632,193
Noncurrent liabilities	94,430,944
Net assets attributable to shareholders of POSC	1,798,497,888
PLC's ownership in POSC	34.5%
PLC's share in net assets of POSC	620,481,771
Provisional goodwill	932,084,467
Carrying amount of PLC's investment in POSC	₱1,552,566,238

**Based on full year operations of POSC.*
***Excluding statutory payables amounting to ₱62,287,080 in 2014.*

The fair value of the net assets of POSC is provisionally determined as at December 31, 2014. Adjustments to those provisional fair values as a result of completing the initial accounting shall be made within 12 months from the acquisition date.

13. Investment Properties

This account includes land received from the spin-off of the real estate properties of MMTC, a former associate amounting to ₱285.5 million.

Belle Bay City's major development project is a 19-hectare mixed-use real estate development along Roxas Boulevard, on a reclaimed land along Manila Bay. On June 27, 2003, the BOD of Belle Bay City approved the resolution to amend its articles of incorporation to shorten the 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 application for dissolution of Belle Bay City.

In November 2012, the Company received land with an area of 4,348 square meters from Belle Bay City as liquidating dividend. The receipt of the land from Belle Bay City resulted in the cancellation of the Company's net investments in Belle Bay City amounting to ₱73.2 million as well as its advances amounting to ₱2.2 million. As a result of the liquidation of its investments in and advances to Belle Bay City, the Company received a land amounting to ₱108.7 million, presented under "Investment properties" account in the consolidated statement of financial position and recognized in the 2012 consolidated statement of comprehensive income a gain on liquidating dividend amounting to ₱33.3 million. The liquidating dividend received from Belle Bay City is valued based on determinable fair value at the date of distribution. In July 2014, land with a cost of ₱108.7 million was sold to Belle (see Note 19).

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

14. Accrued Expenses and Other Current Liabilities

This account consists of:

	2014	2013
Accrued expenses	**₱55,839,115**	₱53,143,407
Advances from Belle (see Note 19)	**21,526,177**	–
Withholding taxes payable	**1,460,051**	72,223
Other payables	**316,164**	105,873
	₱79,141,507	₱53,321,503

Accrued expenses represent mainly accrual for professional fees and other general and administrative expenses. These are payable on demand.

15. **Equity**

Preferred Stock
As at December 31, 2014 and 2013, PLC has not issued any preferred stock out of the authorized 6,000,000,000 shares with par value of ₱0.25 and ₱1.00, respectively . Under the provision of the Parent Company's Articles of Incorporation, the rights and features of the preferred stocks shall be determined through a resolution of the BOD prior to issuance.

Common Stock

	Number of Shares		
	2014	2013	2012
Authorized	**37,630,000,000**	10,130,000,000	10,130,000,000
Par value	₱0.25	₱1.00	₱1.00
Issued:			
Balance at beginning of year	**3,096,990,785**	3,096,890,785	3,096,440,785
Cancellation of Swap Agreement (see Note 11)	**(1,000,000,000)**	–	–
Issuances	**29,343,573,915**	100,000	450,000
Balance at end of year	**31,440,564,700**	3,096,990,785	3,096,890,785
Subscribed	**186,745,300**	4,830,319,215	4,830,419,215
	31,627,310,000	7,927,310,000	7,927,310,000

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
Common stock			
1995	100,000,000,000	1,000,000,000	0.01
September 30, 1996	100,000,000,000	1,000,000,000	0.01
1997	(198,000,000,000)	-	-
1997	12,000,000,000	8,797,310,000	1.00
March 28, 2006	(1,870,000,000)	(1,870,000,000)	1.00
June 24, 2008	(1,000,000,000)	(1,000,000,000)	1.00
July 9, 2009	(1,000,000,000)	(1,000,000,000)	1.00
September 5, 2014	27,500,000,000	24,700,000,000	0.25
Total – Common stock	**37,630,000,000**	**31,627,310,000**	
Preferred stock			
1997	6,000,000,000	-	1.00
Total – Preferred stock	**6,000,000,000**	-	

In 1995, 25,000,000 primary shares of the Company's capital stock were offered and sold to the public at par value. On August 28, 1995, the Company's shares of stock were formally listed in the small board of the PSE.

On September 30, 1996, the SEC approved the increase in the Company's authorized capital stock from ₱1,000.0 million, divided into 100,000,000,000 shares at ₱0.01 par value, to ₱2,000.0 million, divided into 200,000,000,000 shares with the same par value.

On March 10, 1997, the stockholders approved the increase in the Company's authorized capital stock from ₱2,000.0 million, divided into 200,000,000,000 shares at ₱0.01 par value a share, to ₱20,000.0 million, divided into 14,000,000,000 common shares and 6,000,000,000 preferred shares both with par value of ₱1.

On February 18, 2002, the stockholders approved the cancellation of 3,870,000,000 shares held by one of the Parent Company's shareholders, of these shares a total of 2,870,000,000 shares have been cancelled and delisted in 2006 and 2008 (see Note 11).

On March 28, 2006, the SEC approved the reduction of the Company's authorized capital stock by 1,870,000,000 shares to 18,130,000,000 shares divided into 12,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 11).

On June 24, 2008, the SEC formally approved the Company's application for further reduction and cancellation of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 17,130,000,000 shares divided into 11,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 11).

On July 9, 2009, the SEC approved the Company's application for further reduction of authorized capital stock by 1,000,000,000 shares resulting in total authorized capital stock of 16,130,000,000 shares, divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares (see Note 11).

As discussed in Note 11, on April 22, 2014, PLC filed with the SEC a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013 and proceeded to effect the cancellation of the remaining 1,000,000,000 shares to fully implement the MOA rescinding the Swap Agreement with Metroplex and LIR-HK.

Equity Restructuring

On May 29, 2014, the SEC approved the PLC's application for equity restructuring.

- Reduction in par value per share from ₱16,130.0 million divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both with the par value of ₱1.00 per share to ₱4,032.5 million divided into 10,130,000,000 common shares and 6,000,000,000 preferred shares both with a par value of ₱0.25 per share.

- Application of the resulting additional paid-in capital amounting to ₱2,614.5 million to partially wipe out the Parent Company's deficit of ₱3,543.4 million as at December 31, 2013.

On June 20, 2014, Belle and PLC entered into a Subscription Agreement for 24,700,000,000 common shares of PLC at a subscription price of ₱0.369 per share or a total subscription of ₱9,114,300,000 thereby increasing Belle's ownership interest in PLC to 90%. Subscription payments were received in July 2014.

On July 18, 2014, PLC's BOD and stockholders unanimously approved the amendment to the Articles of Incorporation for the increase in authorized capital stock from ₱4,032,500,000 divided into 10,130,000,000,000 common shares with par value of ₱0.25 per share and 6,000,000,000 preferred shares with par value of ₱0.25 per share, to ₱10,907,500,000 divided into 37,630,000,000 common shares with par value of ₱0.25 per share and 6,000,000,000 preferred shares with par value of ₱0.25 per share. The application for the increase in authorized capital stock was approved by the SEC on September 5, 2014.

Subscription Receivable
On October 27, 2014 the BOD of the Company approved for the call for the payment in full of the unpaid subscription of its capital stock on or before December 11, 2014. The Company was able to collect ₱4,777.1 million for 4,643,573,915 common shares. The BOD also approved that unpaid subscription after December 11, 2014 shall be subject to interest of 12% per annum. Subscription receivable amounted to ₱185.5 million and ₱4,962.6 million as at December 31, 2014 and 2013, respectively.

On January 13, 2015, the BOD approved that Under Section 67 of the Corporation Code, all Common shares subscribed which shall remain unpaid after 30 days (January 10, 2015) shall become automatically delinquent and shall be made subject of a delinquency sale. Delinquency sale was scheduled in accordance with Section 68 of the Corporation Code on March 2, 2015 unless the delinquent shareholders shall pay the full amount due from their subscriptions, plus interest and their proportionate share in the cost of the sale. On March 2, 2015, all delinquent shares have been sold.

Parent Company Shares Held by a Subsidiary
FCRI holds 156,530,000 common shares of the Parent Company with a cost of ₱477.3 million as at December 31, 2013 and 2012. These are presented as "Cost of Parent Company shares held by a subsidiary" and are treated as a reduction in equity.

During the year, FCRI sold all the 156,530,000 common shares of PLC at ₱1.65 per share resulting in a loss of ₱219.0 million recognized as part of "Other Reserves" in the equity section of the 2014 consolidated statement of financial position.

16. Gaming Revenue Share

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

Gaming revenue share (Gross)	₱45,674,116
Less PAGCOR license fee	(6,865,021)
Gaming revenue share (Net)	₱38,809,095

As at December 31, 2014, the gaming revenue share was recognized as accounts receivable from Melco (see Note 9). Such amount has been fully collected as at March 5, 2015.

17. **General and Administrative Expenses**

This account consists of:

	2014	2013	2012
Provision for doubtful accounts and probable loss on input VAT (see Note 9)	**₱349,691,841**	₱256,937	₱141,562
Depreciation and amortization* (see Note 10)	**48,827,654**	–	–
Taxes and licenses	**26,676,818**	3,061,835	2,190,820
Professional and service fees (see Notes 19 and 23)	**23,833,011**	2,236,832	2,025,961
Representation and transportation	**5,245,618**	580,919	574,924
Transportation and travel	**4,907,707**	–	–
Salaries, wages and benefits	**4,501,906**	1,355,472	1,341,485
Commission expense	**1,525,034**	–	–
Outside services	**1,022,032**	–	–
Placement and listing fee	**736,336**	–	–
Association dues	**640,565**	773,943	–
Insurance	**284,279**	389,855	498,837
Miscellaneous	**1,098,992**	79,917	140,089
	₱468,991,793	₱8,735,710	₱6,913,678

**Also includes depreciation expense of property and equipment presented under "Other noncurrent assets".*

Miscellaneous pertains to office supplies, communication expenses, bank charges and others.

18. **Income Taxes**

The Company's provision for current income tax amounted to ₱5.1 million in 2014. The Company is in a tax loss position in 2013 and the Company's income items mainly consist of income subject to final tax. In 2012, the Company's provision for income tax amounted to ₱9.4 million which includes capital gains tax (CGT) paid by the Company under protest for the transfer of land from Belle Bay City amounting to ₱6.5 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 view of the ongoing liquidation process of Belle Bay City.

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

PLAI is not yet subject to minimum corporate income tax (MCIT) since its commercial operations commenced only in December 2014. The imposition of MCIT begins on the fourth taxable year immediately following the year in which PLAI commenced its business operations.

The reconciliation of the provision (benefit) for income tax computed at statutory income tax rate on income (loss) before income tax to the provision (benefit) from income tax as shown in the consolidated statements of comprehensive income is as follows:

	2014	2013	2012
Income tax computed at statutory tax rate	**₱403,218,705**	(₱2,620,400)	(₱467,602,998)
Income tax effect of:			
Change in unrecognized deferred tax assets	**(362,679,816)**	2,256,650	470,224,883
Income not subject to income tax	**(45,350,972)**	–	–
Nondeductible expenses	**19,253,281**	337,382	6,736,946
Equity share in net earnings of an associate	**(9,456,442)**	–	–
Excess of itemized deduction over OSD	**2,040,905**	–	–
Interest subject to final tax	**(1,939,605)**	(313)	(348)
Expired NOLCO	**31,310**	26,681	18,206
	₱5,117,366	₱–	₱9,376,689

The components of the Company's temporary differences and carryforward benefits of NOLCO for which no deferred tax assets were recognized are as follows:

	2014	2013
Allowance for doubtful accounts of receivables and others, excluding allowance for probable loss on input VAT (see Note 9)	**₱427,696,767**	₱86,977,098
Allowance for impairment of AFS investments	**2,000,000**	1,587,088,316
Allowance for deferred oil exploration and development costs	**18,377,841**	18,377,841
NOLCO	**43,224,980**	7,795,342
	₱491,299,588	₱1,700,238,597

Deferred tax assets amounting to ₱147.4 million and ₱510.1 million as at December 31, 2014 and 2013, respectively, were not recognized since management believes that it has no sufficient taxable income against which the deductible temporary differences and the carryforward benefits of these assets can be utilized in the future.

In 2012, NOLCO that was claimed as deductions from regular taxable income by the Parent Company are as follows:

Year Incurred	Expiry Date	Amount
2009	December 31, 2012	₱5,968,650
2010	December 31, 2013	6,312,245
2011	December 31, 2014	5,410,332
		₱17,691,227

As at December 31, 2014, the Company has the following NOLCO that can be claimed as deductions from regular taxable income:

Year Incurred	Expiry Date	Amount
2012	December 31, 2015	₱79,873
2013	December 31, 2016	7,611,104
2014	December 31, 2017	35,534,003
		₱43,224,980

NOLCO amounting to ₱0.10 million and ₱0.08 million had expired in 2014 and 2013, respectively.

19. Related Party Transactions

Related parties are enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, and subsidiaries. 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 entities. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to non-related entities in an economically comparable market.

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

Settlement Agreement with Belle

On October 7, 1997, PLC subscribed to 1,000,000,000 preferred shares from Belle at ₱1.00 per share, with a coupon rate of 9.75% per annum. This investment and its accumulated unpaid dividend are the subjects of a settlement agreement entered into between PLC and Belle on August 29, 2009, as amended in 2013.

On August 28, 2009, a Settlement Agreement (Agreement) was executed between Belle and PLC to settle the unpaid accrued dividends and to eventually cancel the preferred shares, subject to the transfer by Belle to PLC: (1) 220 shares in TMGCI and (2) 235,583 square meters of developed Rancho Montana land located in Tanauan, Batangas, completion of which is expected within five years from the date of the Agreement. The developed Rancho Montana land together with the 220 TMGCI shares shall be transferred to PLC at an aggregate value of at least ₱1,092.3 million.

Immediately after the execution of the Agreement, Belle transferred the 220 TMGCI shares and executed a Deed of Assignment over the said TMGCI shares to PLC. PLC, on the other hand, executed a Release, Waiver and Quitclaim (1) accepting the payment of dividends in the form of 220 shares in TMGCI; (2) renouncing its rights to all past, present and future dividends; (3) agreeing to the revocation of the coupon rate originally provided for the preferred shares; and, (4) agreeing to the cancellation of all its preferred shares in Belle upon receipt of the developed Rancho Montana land.

The TMGCI shares amounting to ₱154.0 million (net of ₱44.0 million decline in fair value as at December 31, 2009) was recorded as "AFS financial assets" in 2009. The related outstanding payable (after offsetting the outstanding receivable of ₱92.3 million) as at December 31, 2013 amounting to ₱105.7 million, presented under "Due to Belle Corporation" account in the 2013 consolidated statement of financial position, has been fully settled in 2014.

In March 2013, Belle delivered developed lots with an estimated value of ₱65.5 million recognized as "Other current asset" with corresponding "Due to Belle Corporation" in the 2013 consolidated statement of financial position pending transfer of title of the developed lots to PLC. Under the Settlement Agreement, the cancellation of the preferred shares shall be effective only upon completion of the transfer of the title of the developed properties to PLC.

Amendment to Settlement Agreement with Belle
On April 5, 2013, an Amendment to the Settlement Agreement was executed between Belle and PLC to modify the composition of its settlement offer for the Preferred Shares. The parties have agreed on the following amendments:

(a) replacement of the real estate component of the settlement agreement. In lieu of the delivery of 220 saleable lots in Rancho Montana, Belle undertakes to (a) to pay on or before August 28, 2014, approximately ₱100.0 million of the Preferred Obligation by way of:

    (i) delivery of developed lots within the Tagaytay Highlands-Midlands Complex, with an aggregate valuation of approximately ₱75.0 million inclusive of 12% VAT and registration costs.

    (ii) payment of all costs and expenses estimated at approximately ₱25.0 million for the conversion and titling of PLC's properties located at or near Rancho Montana totaling 36 hectares; (b) delivery on or before August 28, 2019, such number of developed lots in Rancho Montana having an aggregate value of approximately ₱794.0 million based on agreed valuation of ₱8,000.00 per square meter, exclusive of VAT.

(b) modification of penalty for delay in delivery of Rancho Montana lots.

On July 22, 2014, Belle and PLC entered into a second Amendment to the Settlement Agreement terminating the obligation under the Settlement Agreement and the related Amendment to the Settlement Agreement and allowing sale of PLC's nongaming assets consisting of TMGCI shares and developed lots, and redemption of the 1,000,000,000 preferred shares by Belle by way of cash consideration.

Gain on sale of developed lots presented as "Other current asset" and land presented as part of "Investment properties" (see Note 13) amounted to ₱149.2 million.

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

The amounts included in these transactions are as follows:

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance Receivables (Payables)	Terms	Condition
Belle	Stockholder	Advances* (see Notes 9 and 14)	**2014**	**(₱22,393,756)**	**(₱5,468,361)**	Non-interest bearing, due and demandable	Unsecured, no impairment
			2013	(12,008,133)	16,925,395	Non-interest bearing, due and demandable	Unsecured, no impairment
		Partial redemption of preferred shares	**2014**	**179,011,579**	–		
			2013	73,361,434	(179,011,579)	Non-interest bearing, due and demandable	Unsecured
op		Sale of non-gaming assets (see Note 2)	**2014**	**521,371,434**	–		
Parallax	Stockholder	Advances (see Note 9)	**2014**	–	**766,884**	Non-interest bearing, due and demandable	Unsecured, no impairment
			2013	–	766,884	Non-interest bearing, due and demandable	Unsecured, no impairment
Officers	Key management personnel	Salaries and wages	**2014**	₱3,454,406	₱–		
			2013	₱1,341,485	₱–		

**Composed of ₱16.1 million advances to Belle included under "Receivables and others" and ₱21.5 million advances from Belle included under "Accrued expenses and other current liabilities".*

On September 15, 2014, PLAI and Belle entered into a Service Agreement wherein the latter shall provide services to support the operations of the casino license from PAGCOR. Belle shall likewise provide sufficient personnel and other resources for accounting and administrative functions. Management and service fees amounting to ₱7,500,000 in 2014 was presented as part of "Professional and services fees" included under general and administrative expenses in the consolidated statements of comprehensive income (see Note 17).

20. Basic/Diluted Earnings (Loss) Per Common Share Computation

As at December 31, 2014 and 2013, basic/diluted losses per share were computed as follows:

	2014	2013
Net income (loss) (a)	**₱1,338,944,984**	(₱8,734,667)
Weighted average common shares, beginning	**7,770,780,000**	7,770,780,000
Cancellation of Swap Agreement	**(583,333,333)**	–
Re-issuance of Parent Company's shares	**39,132,500**	–
Issuance of common shares	**8,233,333,333**	–
Weighted average common shares, end (b)	**15,459,912,500**	7,770,780,000
Earnings (loss) per common share (a/b)	**₱0.086607**	(₱0.00112)

21. **Financial Assets and Financial Liabilities**

Financial Risk Management Objectives and Policies and Capital Management
The Company's principal financial instruments comprise cash and cash equivalents, receivables and AFS financial assets. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has other financial liabilities such as accrued expenses and other current liabilities which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and equity price risk. The Company is not exposed to any other type of market risk, such as foreign currency risk and interest rate risk, as the Company has no outstanding foreign currency-denominated accounts and interest-bearing other financial liabilities as at December 31, 2014 and 2013.

The BOD reviews and approves the policies for managing credit, liquidity and equity price risks and they are summarized below:

Credit Risk. Credit risk is the risk that the Company will incur a loss because its counterparties failed to discharge their contractual obligations. Credit risk arises from the Company's financial assets which are composed of cash and cash equivalents, receivables and others and AFS financial assets.

It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company's credit risk is concentrated on Belle, a stockholder, of which outstanding balance covers at least 95% and 96% of the Company's total receivables as at December 31, 2014 and 2013, respectively.

The table below shows the maximum exposure to credit risk for the Company's financial assets, without taking into account of any collateral and other credit enhancements:

	Gross Maximum Exposure		**Net Maximum Exposure**	
	2014	2013	**2014**	2013
Cash and cash equivalents	**₱2,692,121,573**	₱925,039	**₱2,692,121,573**	₱425,039
Receivables and others*	**57,800,517**	17,715,534	**57,800,517**	17,715,534
AFS financial assets	**489,801,169**	1,580,820,800	**489,801,169**	1,580,820,800
	₱3,239,723,259	₱1,599,461,373	**₱3,239,723,259**	₱1,598,961,373

**This excludes prepayments and input vat amounting to nil and 8,486,265 as at December 31, 2014 and 2013, respectively.*

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

	2014						
		Past Due but not Impaired					
	Neither Past Due nor Impaired	**Less than 30 days**	**31 Days to 1 Year**	**Over 1 Year up to 3 Years**	**Over 3 Years**	**Impaired**	**Total**
Cash and cash equivalents	**₱2,692,121,573**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,692,121,573**
Receivables and others:							
Loan assets	–	–	–	–	–	**422,341,815**	**422,341,815**
Accounts Receivable	**38,809,095**	–	–	–	–	–	**38,809,095**
Advances to related parties	**16,824,700**	–	–	–	–	–	**16,824,700**
Nontrade and others	**2,143,466**	–	–	–	**23,255**	**5,349,123**	**7,515,844**
AFS financial assets	**489,801,169**	–	–	–	–	**118,908,365**	**608,709,534**
	₱3,239,700,003	**₱–**	**₱–**	**₱–**	**₱23,255**	**₱546,599,303**	**₱3,786,322,561**

	2013						
		Past Due but not Impaired					
	Neither Past Due nor Impaired	Less than 30 days	31 Days to 1 Year	Over 1 Year up to 3 Years	Over 3 Years	Impaired	Total
Cash and cash equivalents	₱925,039	₱–	₱–	₱–	₱–	₱–	₱925,039
Receivables and others:							
Loan assets	–	–	–	–	–	81,627,975	81,627,975
Advances to related parties	17,692,279	–	–	–	–	–	17,692,279
Nontrade and others*	626,112	–	–	–	23,255	5,349,123	5,998,490
AFS financial assets	1,580,820,800	–	–	–	–	1,785,736,038	3,366,556,838
	₱1,600,064,230	₱–	₱–	₱–	₱23,255	₱1,872,713,136	₱3,472,800,621

**This excludes prepayments amounting to ₱8,486,265 as at December 31, 2013.*

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

	2014			
	High Grade	**Medium Grade**	**Unrated**	**Total**
Cash in bank and cash equivalents	**₱2,692,121,573**	**₱–**	**₱–**	**₱2,692,121,573**
Receivables and others:	–	–	–	–
Accounts receivable	**38,809,095**	–	–	**38,809,095**
Advances to related parties	**16,824,700**	–	–	**16,824,700**
AFS financial assets	**487,940,069**	**1,780,000**	**81,100**	**489,801,169**
	₱3,235,695,437	**₱1,780,000**	**₱81,100**	**₱3,237,556,537**

	2013			
	High Grade	Medium Grade	Unrated	Total
Cash in bank	₱925,039	₱–	₱–	₱925,039
Receivables and others:	–			–
Advances to related parties	17,692,279	–	–	17,692,279
Others	626,112	–	–	626,112
AFS financial assets	1,490,939,700	89,800,000	81,100	1,580,820,800
	₱1,510,183,130	₱89,800,000	₱81,100	₱1,600,064,230

High grade financial assets pertain to those receivables from related parties or customers that consistently pay on or before the maturity date while medium grade includes those financial assets being collected on due dates with an effort of collection.

The Company assessed its cash in bank and cash equivalents as high grade since this is deposited with reputable banks.

Unquoted AFS financial assets in Belle preferred shares is considered as high grade. Quoted AFS financial assets are assessed based on financial status of the counterparty and its current stock price performance in the market. High grade AFS financial assets consistently show increasing stock prices while medium grade AFS financial assets show decline in value of not more than 20%.

Liquidity Risk. Liquidity risk arises from the possibility that the Company may encounter difficulties in meeting obligations associated with its accrued expenses and other current liabilities.

The Company seeks to manage its liquidity profile to be able to finance its investments and pay its outstanding liabilities. To cover its financing requirements, the Company uses internally generated funds.

Liquidity risk is very minimal as at December 31, 2014 since the total current assets far exceeds the total current liabilities.

Equity Price Risk. Equity price risk is the risk that the fair value of quoted AFS financial assets decreases as the result of changes in the value of individual stocks. The Company's exposure to equity price risk relates primarily to the Company's quoted AFS financial assets.

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Company's equity. The impact on the Company's equity already excludes the impact on transactions affecting the consolidated profit or loss before income tax.

	2014		2013	
	Increase in Equity Price	**Decrease in Equity Price**	Increase in Equity Price	Decrease in Equity Price
Percentage increase (decrease) in equity price	**4.17%**	**(4.17%)**	3.65%	(3.65%)
Effect on equity	**₱2,461,236**	**(2,461,236)**	₱2,153,582	(₱2,153,582)

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 to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Company considers the following as its capital.

	2014	2013
Capital stock	**₱7,906,827,500**	₱7,927,310,000
Additional paid-in capital	**6,946,201,779**	2,039,727,799
Subscription receivable	**(185,480,975)**	(4,962,580,586)
Retained Earnings (deficit)	**980,929,502**	(2,972,488,493)
	₱15,648,477,806	₱2,031,968,720

Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's-length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The carrying values of cash and cash equivalents, receivables and others (excluding prepayments and input VAT), and accrued expenses and other current liabilities (excluding statutory liabilities) and due to Belle Corporation in 2013 approximate their fair values due to the short-term nature of the transactions.

The fair values of AFS financial assets in quoted equity shares are based on quoted prices in the Philippine Stock Exchange (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 of stock and there are no other reliable sources of their fair values, therefore, these are carried at cost, net of any impairment loss.

The following table provides the quantitative disclosures of fair value measurement hierarchy of the Company's assets and liabilities, other than those with carrying amounts that are reasonable approximation of fair value, as at December 31, 2014 and 2013:

		2014			
	Date of Valuation	**Quoted (Unadjusted) Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Assets					
Assets measured at fair value					
AFS investments - listed	**December 31, 2014**	**₱489,790,069**	**₱–**	**₱11,100**	**₱489,801,169**

		2013			
	Date of Valuation	Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets					
Assets measured at fair value					
AFS investments - listed	December 31, 2013	₱580,809,700	₱–	₱1,000,011,100	₱1,580,820,800
Liabilities					
Liabilities for which fair value is disclosed:					
Payable arising from acquisition of land	December 31, 2013	–	179,011,579	–	179,011,579

There were no transfers between fair value measurements in 2014 and 2013.

22. 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.

As at December 31, 2014 and 2013, the Company is organized into four business segments, which are investment holding, real estate, public amusement recreation and gaming business.

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

	2014					
	Investment Holding	**Real Estate**	**Public Amusement and Recreation**	**Gaming Business**	**Eliminations/ Adjustments**	**Consolidated**
Earnings Information						
Gaming revenue share	**₱–**	**₱–**	**₱–**	**₱38,809,095**	**₱–**	**₱38,809,095**
Interest income	**6,332,013**	**124,937**	–	**8,400**	–	**6,465,350**
Dividend income	**1,999,754**	–	–	–	–	**1,999,754**
Fair value change due to cancellation of Swap Agreement and sale of golf club shares	**1,643,407,304**	–	–	–	–	**1,643,407,304**
Reversal of allowance for doubtful accounts	**253,375,000**	–	–	–	**(253,375,000)**	-
Gain on sale of land	**149,170,154**	–	–	–	–	**149,170,154**
Equity in net earnings of an associate	–	–	–	–	**31,521,474**	**31,521,474**
Costs and expenses	**(36,003,429)**	**(5,065,236)**	**(35,153)**	**(29,571,847)**	**(106,943,276)**	**(177,618,941)**
Provision for probable losses	**(349,686,009)**	**(3,216)**	**(2,616)**	–	–	**(349,691,841)**
Loss from sale of shares of Parent Company	–	**(218,982,325)**	–	–	**218,982,325**	-
Net income (loss) for the year	**₱1,668,594,787**	**(₱223,925,840)**	**(₱37,769)**	**₱4,128,283**	**(₱109,814,477)**	**₱1,338,944,984**
Other Information						
Investments and AFS financial assets	**13,248,803,585**	–	**14,762,976**	–	**(11,221,199,155)**	**2,042,367,406**
Segment assets	**2,722,918,315**	**254,192,862**	**16,057,816**	**42,735,153**	**10,794,589,220**	**13,830,493,366**
Segment liabilities	**166,787,648**	**513,738,361**	**1,031,610**	**34,002,682**	**(630,559,214)**	**85,001,087**
Consolidated total assets	**15,971,721,900**	**254,192,862**	**30,820,792**	**42,735,153**	**(426,609,935)**	**15,872,860,772**
Consolidated total liabilities	**166,787,648**	**513,738,361**	**1,031,610**	**34,002,682**	**(630,559,214)**	**85,001,087**

	2013					
	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Eliminations/ Adjustments	Consolidated
Earnings Information						
Interest income	₱1,043	₱–	₱–	₱–	₱–	₱1,043
Costs and expenses	(8,590,138)	(20,845)	(124,727)	–	–	(8,735,710)
Net loss for the year	(8,589,095)	(20,845)	(124,727)	–	–	(8,734,667)
Other Information						
AFS financial assets	1,713,501,913	42,263,100	11,768,917	–	(186,713,130)	1,580,820,800
Segment assets	469,146,291	766,884	19,086,544	–	(2,161,149)	486,838,570
Segment liabilities	347,293,210	513,643,369	1,028,510	–	(629,632,007)	232,333,082
Consolidated total assets	2,182,648,204	43,029,984	30,855,461	–	(188,874,279)	2,067,659,370
Consolidated total liabilities	347,293,210	513,643,369	1,028,510	–	(629,632,007)	232,333,082

Revenue from the gaming business segment amounting to ₱38.8 million in 2014 is solely collectible from its external customer, Melco.

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

	2014	2013	2012
Net Profit for the Year			
Total profit for reportable segments	**₱1,448,759,461**	(₱8,735,710)	(₱1,616,995,647)
Elimination for intercompany profits	**(109,814,477)**	–	58,318,988
Consolidated net profit	**₱1,338,944,984**	(₱8,735,710)	(₱1,558,676,659)
Assets			
Total assets for reportable segments	**₱3,035,904,146**	₱488,999,719	₱425,137,195
Investments and advances	**13,263,566,561**	1,767,533,930	1,784,732,627
Elimination for intercompany advances and investments	**(426,609,935)**	(188,874,279)	(183,211,226)
Consolidated assets	**₱15,872,860,772**	₱2,067,659,370	₱2,026,658,596

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

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 net income or loss and is measured consistently with net income 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.

23. Significant Contracts and Commitments

Investment Commitment with PAGCOR
The Company and its casino operator is required to have an "Investment Commitment" based on PAGCOR guidelines of US$1.0 billion, of which 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 should comprise of the value of land used for the projects and the construction costs of various facilities and infrastructure within the site of the project.

The other salient provisions of the License are: (i) creation of an escrow account of at least US$100.0 million to be used exclusively for the project, with a maintaining balance of US$50.0 million; (ii) issuance of performance bond of ₱100.0 million to guarantee the completion of the project; and (iii) issuance of surety bond of ₱100.0 million to guarantee the payment to PAGCOR of all fees payable under the license granted.

Compliance with the Investment Commitment is managed by Belle, except for the maintenance of an escrow account which was assumed by the casino operator effective May 2013.

Operating Agreement with Melco
On March 13, 2013, the Company, together with Belle, entered into an Operating Agreement with MCE Holdings No. 2 (Philippines) Corporation, MCE Holdings (Philippines) Corporation and

Melco. Under the terms of the Operating Agreement, Melco was appointed as the sole and exclusive operator and manager of the casino development Project.

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

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

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

Professional fee amounted to ₱7,075,317 in 2014 presented as part of "Professional and service fees" account under general and administrative expenses in the consolidated statements of comprehensive income (see Note 17).

24. Contingency

The Parent Company is a party to a civil case filed by Metroplex before the CA to review the February 26, 2009 Order of the SEC denying the Metroplex petition to nullify the approval of the reduction of the capital stock of the Parent Company (see Note 11). The CA sustained the ruling of the SEC, thus Metroplex filed a petition for review with the SC. As at March 5, 2015, the Supreme Court has yet to resolve this petition.

However, as discussed in Note 11, the cancellation of the Swap Agreement was implemented following the Parent Company's filing to the SEC of a Notice of Withdrawal of the Memorandum of Appeal filed on June 20, 2013.

25. Events after the Reporting Period

On March 5, 2015, the Company's BOD approved the declaration of cash dividends of ₱0.022 per share amounting to approximately ₱700.0 million to shareholders of record as at March 20, 2015. Payments will be made on April 17, 2015.

26. Supplemental Disclosure of Cash Flow Information

The following are the noncash investing and financing activities in 2013 and 2012:

	2013	2012
Transfer of developed lots from Belle on account (see Note 19)	₱65,501,280	₱–
Receipt of liquidating dividend (see Note 13)	–	108,700,000
Offsetting of subscription payments for Belle shares against advances to Belle	–	42,851,879

In 2014, the Company has no principal noncash activity.

PREMIUM LEISURE CORP. (formerly Sinophil Corporation) AND SUBSIDIARIES
Schedule of all the Effective Standards and Interpretations
December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	X		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	X		X
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	X		X
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	X		X
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	X		X
	Amendments to PFRS 1: Government Loans	X		X
	Annual Improvements to PFRSs (2011-2013) cycle: PFRS 1 – First-time Adoption of International Financial Reporting Standards – Meaning of “Effective PFRSs”	X		X
PFRS 2	Share-based Payment	X		X
	Amendments to PFRS 2: Vesting Conditions and Cancellations	X		X
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	X		X
	Annual Improvements to PFRSs (2010-2012) cycle: PFRS 2 – Share-based Payment – Definition of Vesting Condition	X		X
PFRS 3 (Revised)	Business Combinations	X		X
	Annual Improvements to PFRSs (2010-2012) cycle: PFRS 3- Business Combination – Accounting for Contingent Consideration in a Business Combination	X		X
	Annual Improvements to PFRSs (2011-2013) cycle: PFRS 3- Business Combination – Scope Exceptions for Joint Arrangements*	Not early adopted		
PFRS 4	Insurance Contracts	X		X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	X		X

** Standards or amendments which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	X		X
	Annual Improvements to PFRSs (2012-2014) cycle: PFRS 5 – Non-current Assets held for Sale and Discontinued Operations – Changes in Methods of Disposal*	Not early adopted		
PFRS 6	Exploration for and Evaluation of Mineral Resources	X		X
PFRS 7	Financial Instruments: Disclosures	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	X		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	X		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	X		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	X		
	Annual Improvements to PFRSs (2012-2014) cycle: PFRS 7 – Financial Instruments – Disclosures – Servicing Contracts *	Not early adopted		
	Annual Improvements to PFRSs (2012-2014) cycle: PFRS 7 – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*	Not early adopted		
PFRS 8	Operating Segments	X		
	Annual Improvements to PFRSs (2010-2012) cycle: PFRS 8 – Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of Reportable Segments' Assets to the Entity's Assets*	Not early adopted		
PFRS 9	Financial Instruments (2014 version)*	Not early adopted		
PFRS 10	Consolidated Financial Statements	X		
	Amendments to PFRS 10: Consolidated Financial Statements – Investment Entities	X		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		
PFRS 11	Joint Arrangements	X		X
	Amendments to PFRS 11: Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*	Not early adopted		
PFRS 12	Disclosure of Interests in Other Entities	X		
	Amendments to PFRS 12: Disclosure of Interest in Other Entities – Investment Entities	X		
PFRS 13	Fair Value Measurement	X		

** Standards or amendments which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable
	Annual Improvements to PFRSs (2010-2012) cycle: PFRS 13 – Fair Value Measurement – Short-term Receivables and Payables	X		
	Annual Improvements to PFRSs (2011-2013) cycle: PFRS 13 – Fair Value Measurement – Portfolio Exception*	Not early adopted		
PFRS 14	Regulatory Deferral Accounts*	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	X		
	Amendment to PAS 1: Capital Disclosures	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	X		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	X		
PAS 2	Inventories	X		X
PAS 7	Statement of Cash Flows	X		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	X		
PAS 10	Events after the Reporting Period	X		
PAS 11	Construction Contracts	X		X
PAS 12	Income Taxes	X		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	X		
PAS 16	Property, Plant and Equipment	X		X
	Annual Improvements to PFRSs (2010-2012) cycle: PAS 16 – Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*	Not early adopted		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation*	Not early adopted		
	Amendments to PAS 16: Bearer Plants*	Not early adopted		
PAS 17	Leases	X		X
PAS 18	Revenue	X		
PAS 19 (Revised)	Employee Benefits	X		
	Amendments to PAS 19: Employee Benefits – Defined Benefit Plans: Employee Contributions*	Not early adopted		

** Standards or amendments which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable
	Annual Improvements to PFRSs (2012-2014) cycle: PAS 19 – Employee Benefits – Regional Market Issue Regarding Discount Rate*	Not early adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	X		X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X		X
	Amendment: Net Investment in a Foreign Operation	X		X
PAS 23 (Revised)	Borrowing Costs	X		X
PAS 24 (Revised)	Related Party Disclosures	X		
	Annual Improvements to PFRSs (2010-2012) cycle: PAS 24 – Related Party Disclosures – Key Management Personnel *	Not early adopted		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	X		X
PAS 27 (Revised)	Separate Financial Statements	X		
	Amendments to PAS 27: Separate Financial Statements – Investment Entities	X		
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	Not early adopted		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	X		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies	X		X
PAS 32	Financial Instruments: Disclosure and Presentation	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	X		
	Amendment to PAS 32: Classification of Rights Issues	X		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	X		
PAS 33	Earnings per Share	X		
PAS 34	Interim Financial Reporting	X		
	Annual Improvements to PFRSs (2012-2014) cycle: PAS 34 – Interim Financial Reporting – Disclosure of Information “Elsewhere in the Interim Financial Report” *	Not early adopted		
PAS 36	Impairment of Assets	X		
	Amendments to PAS 36: Recoverable Amount of Disclosures for Non-Financial Assets	X		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X		
PAS 38	Intangible Assets	X		X
	Annual Improvements to PFRSs (2010-2012) cycle: PAS 38 – Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*	Not early adopted		
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization*	Not early adopted		
PAS 39	Financial Instruments: Recognition and Measurement	X		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	X		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	X		X
	Amendments to PAS 39: The Fair Value Option	X		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	X		X
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	X		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	X		X
	Amendment to PAS 39: Eligible Hedged Items	X		X
	Amendments to PAS 39: Financial Instruments – Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	X		
PAS 40	Investment Property	X		
	Annual Improvements to PFRSs (2011-2013) cycle: PAS 40 – Investment Property*	Not early adopted		
PAS 41	Agriculture	X		X
	Amendments to PAS 41: Bearer Plants*	Not early adopted		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	X		X
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	X		X
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	X		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	X		X

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2014)		Adopted	Not Adopted	Not Applicable
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*	X		X
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*	X		X
IFRIC 9	Reassessment of Embedded Derivatives	X		X
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	X		X
IFRIC 10	*Interim Financial Reporting and Impairment*	X		X
IFRIC 12	Service Concession Arrangements	X		X
IFRIC 13	Customer Loyalty Programmes	X		X
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	X		X
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	X		X
IFRIC 15	Agreement for the Construction of Real Estate*	Not early adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	X		X
IFRIC 17	Distributions of Non-cash Assets to Owners	X		X
IFRIC 18	Transfers of Assets from Customers	X		X
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	X		X
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	X		X
IFRIC 21	Levies	X		
SIC-7	Introduction of the Euro	X		X
SIC-10	Government Assistance - No Specific Relation to Operating Activities	X		X
SIC-15	Operating Leases – Incentives	X		X
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	X		X
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	X		X
SIC-29	Service Concession Arrangements: Disclosures	X		X
SIC-31	Revenue - Barter Transactions Involving Advertising Services	X		X
SIC-32	Intangible Assets - Web Site Costs	X		X

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