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, 2015 and 2014, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

WILLY N. OCIER
Chairman of the Board

FREDERIC C. DYBUNCIO
President and Chief Executive Officer

JACKSON T. ONGSIP
Chief Finance Officer / Treasurer

Signed this 23rd day of February 2016

MAR 15 2016

SUBSCRIBED AND SWORN to before me this ____ day of ________2016 affiants exhibiting to me their Passport and Tax Identification Numbers, as follows:

NAME	PASSPORT/ TAX IDENTIFICATION NUMBER	DATE OF EXPIRY	PLACE OF ISSUE
WILLY N. OCIER	EB6130282 TIN 101-934-954	August 13, 2017	Manila
FREDERIC C. DYBUNCIO	EC0634893 TIN 103-192-854	March 21, 2019	Manila
JACKSON T. ONGSIP	EC4804332 TIN 178-486-617	July 29, 2020	Manila

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BOOK NO. : XXIII
SERIES OF : 2016.

ATTY. JOSELYN BONNIE V. VALEROS
NOTARY PUBLIC, ROLL NO. 54515
PTR NO. 4912213 UNTIL 12-31-16
IBP LIFE NO. 05925, COMMISSION NO. 2014-022
OFFICE ADD: IMPERIAL BAYFRONT TOWER, 1624A, MABINI MLA
MCLE NO. IV-0017429 ISSUED ON APR 18 2013

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	O	9	3	-	9	2	8	9

COMPANY NAME

PREMIUM LEISURE CORP. (Formerly Sinophil Corporation) AND SUBSIDIARIES

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
ACFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.premiumleisurecorp.com	662-8888	0917-5578203

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
382	Any day in May	December 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	0917-5578203

CONTACT PERSON's ADDRESS

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

NOTE 1 : *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.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Premium Leisure Corp. (formerly Sinophil Corporation) and Subsidiaries which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Premium Leisure Corp. and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
SEC Accreditation No. 0923-AR-1 (Group A),
March 25, 2013, valid until March 24, 2016
Tax Identification No. 153-978-243
BIR Accreditation No. 08-001998-78-2015,
June 26, 2015, valid until June 25, 2018
PTR No. 5321613, January 4, 2016, Makati City

February 23, 2016

PREMIUM LEISURE CORP.
(Formerly Sinophil Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2015	December 31, 2014 (As restated - Note 17)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 8 and 31)	**₱1,187,556,503**	₱2,692,121,573
Investments held for trading (Notes 9 and 31)	**226,746,690**	–
Receivables (Notes 10, 28 and 31)	**509,585,194**	57,771,668
Notes receivable (Notes 11, 28 and 31)	**805,925,000**	–
Other current assets (Note 12)	**131,884,988**	28,849
	2,861,698,375	2,749,922,090
Noncurrent asset held for sale (Note 17)	**285,510,452**	285,510,452
Total Current Assets	**3,147,208,827**	3,035,432,542
Noncurrent Assets		
Intangible asset (Note 13)	**10,231,313,891**	10,794,591,525
Available-for-sale financial assets (Notes 14, 28 and 31)	**586,543,893**	489,801,169
Investment in an associate (Notes15 and 18)	**–**	1,552,566,238
Property and equipment (Note 16)	**544,628,438**	383,800
Goodwill (Notes 18 and 19)	**1,828,577,952**	–
Deferred tax assets (Note 27)	**42,261,133**	–
Other noncurrent assets (Notes 21 and 33)	**61,463,669**	85,498
Total Noncurrent Assets	**13,294,788,976**	12,837,428,230
TOTAL ASSETS	**₱16,441,997,803**	₱15,872,860,772
LIABILITIES AND EQUITY		
Current Liabilities		
Trade payables and other current liabilities (Notes 20 and 31)	**₱365,772,706**	₱79,141,507
Current portion of obligations under finance lease (Notes 29 and 31)	**25,201,309**	–
Income tax payable	**49,600,322**	4,812,080
Total Current Liabilities	**440,574,337**	83,953,587
Noncurrent Liabilities		
Obligation under finance lease (Notes 29 and 31)	**93,527,275**	–
Retirement liability (Note 21)	**18,638,266**	1,047,500
Total Noncurrent Liabilities	**112,165,541**	1,047,500
Total Liabilities	**552,739,878**	85,001,087

(Forward)

	December 31, 2015	December 31, 2014 (As restated - Note 17)
Equity Attributable to the Equity Holders of the Parent (Notes 22 and 31)		
Capital stock	**₱7,906,827,500**	₱7,906,827,500
Additional paid-in capital	**7,238,721,924**	6,946,201,779
Subscription receivable	**–**	(185,480,975)
Cost of parent company shares held by a subsidiary	**(422,210,490)**	–
Other reserves	**(121,523,954)**	139,381,879
Retained earnings	**440,361,436**	980,929,502
Total Equity Attributable to Equity Holders of the Parent	**15,042,176,416**	15,787,859,685
Non-controlling Interests (Note 18)	**847,081,509**	–
Total Equity	**15,889,257,925**	15,787,859,685
TOTAL LIABILITIES AND EQUITY	**₱16,441,997,803**	₱15,872,860,772

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2015	2014	2013
REVENUE			
Gaming revenue share (Notes 23 and 33)	**₱756,237,939**	₱38,809,095	₱–
Equipment lease rentals (Note 29)	**630,926,248**	–	–
Commission and instant scratch tickets (Note 33)	**88,400,678**	–	–
	1,475,564,865	38,809,095	–
COST AND EXPENSES			
Cost of services (Note 24)	**356,598,224**	12,075,317	–
General and administrative expenses (Note 25)	**289,749,544**	408,292,190	8,735,710
Amortization of intangible asset (Note 13)	**563,277,634**	48,624,286	–
	1,209,625,402	468,991,793	8,735,710
OTHER INCOME (EXPENSES)			
Equity in net earnings of an associate (Note 15)	**75,525,743**	31,521,474	–
Interest income (Notes 8, 11 and 22)	**42,034,540**	6,465,350	1,043
Dividend income (Note 14)	**31,770,513**	1,999,754	–
Finance charges	**(4,996,708)**	–	–
Gain on sale of land (Note 28)	**–**	149,170,154	–
Fair value change due to cancellation of swap agreement and sale of golf club shares (Note 14)	**–**	1,643,407,304	–
Transfer of share in cumulative translation adjustments of investment in an associate (Note 14)	**–**	(58,318,988)	–
Other expense - net (Note 26)	**(2,355,705)**	–	–
	141,978,383	1,774,245,048	1,043
INCOME (LOSS) BEFORE INCOME TAX	**407,917,846**	1,344,062,350	(8,734,667)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	**186,833,985**	5,117,366	–
Deferred	**(2,070,488)**	–	–
	184,763,497	5,117,366	–
NET INCOME (LOSS)	**₱223,154,349**	₱1,338,944,984	(₱8,734,667)
Net Income (Loss) Attributable to:			
Equity holders of the parent	**155,232,754**	1,338,944,984	(8,734,667)
Non-controlling interests	**67,921,595**	–	–
	₱223,154,349	₱1,338,944,984	(₱8,734,667)
Basic/Diluted Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent (Note 30)	**₱0.004913**	₱0.086607	(₱0.00112)

See accompanying Notes to Consolidated Financial Statements.

PREMIUM LEISURE CORP.
(Formerly Sinophil Corporation)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2015	2014	2013
NET INCOME (LOSS)	**₱223,154,349**	₱1,338,944,984	(₱8,734,667)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Mark-to-market gains (losses) on available-for-sale financial assets (Note 14)	**(252,460,264)**	23,420,369	(20,800,737)
Share in mark-to-market loss on available-for-sale financial assets of an associate (Note 15)	**(38,258,713)**	–	–
Fair value change due to recovery of previous impairment of available-for-sale financial assets (Note 14)	**–**	1,643,407,304	–
Recycling of fair value change due to cancellation of swap agreement and sale of golf club shares (Note 14)	**–**	(1,643,407,304)	–
Recycling of share in cumulative translation adjustments of investment in an associate (Note 14)	**–**	58,318,988	–
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain on net retirement benefits - net of tax	**4,582,575**	–	–
Share in remeasurement loss on net retirement benefits of an associate - net of tax (Note 15)	**–**	(3,989,546)	–
	(286,136,402)	77,749,811	(20,800,737)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱62,982,053)**	₱1,416,694,795	(₱29,535,404)
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the parent	**(₱105,673,078)**	₱1,416,694,795	(₱29,535,404)
Non-controlling interests	**42,691,025**	–	–
	(₱62,982,053)	₱1,416,694,795	(₱29,535,404)

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, 2015, 2014 AND 2013

					Other Reserves						
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Subscriptions Receivable (Note 22)	Cost of Parent Company Shares Held by a Subsidiary (Note 22)	Cumulative Unrealized Mark-to-Market Gain on Available-for-Sale Financial Assets (Note 14)	Remeasurement Gains and (Losses) on Defined Benefit Obligation (Note 21)	Share in Other Comprehensive Income of an Associate and Other Reserves (Notes 14 and 22)	Retained Earnings (Note 22)	Total Equity Attributable to the Equity Holders of the Parent	Non-controlling Interest (Note 3)	Total
Balance at January 1, 2015	₱7,906,827,500	₱6,946,201,779	(₱185,480,975)	₱–	₱397,691,122	₱–	(₱258,309,243)	₱980,929,502	₱15,787,859,685	₱–	₱15,787,859,685
Net income	–	–	–	–	–	–	–	155,232,754	155,232,754	67,921,595	223,154,349
Other comprehensive (income) loss:											
Remeasurement gain on net retirement benefits - net of tax	–	–	–	–	–	2,066,520	–	–	2,066,520	2,516,055	4,582,575
Mark-to-market loss on available-for-sale financial assets	–	–	–	–	(224,713,640)	–	–	–	(224,713,640)	(27,746,624)	(252,460,264)
Share in mark-to-market loss on available-for-sale financial assets of an associate	–	–	–	–	–	–	(38,258,713)	–	(38,258,713)	–	(38,258,713)
Total comprehensive income (loss)	–	–	–	–	(224,713,640)	2,066,520	(38,258,713)	155,232,754	(105,673,079)	42,691,026	(62,982,053)
Subscriptions collected, net of listing fees (Note 22)	–	(4,567,388)	185,480,975	–	–	–	–	–	180,913,587	–	180,913,587
Step acquisition (Note 18)	–	297,087,533	–	(286,398,070)	(38,258,713)	(3,989,546)	42,248,259	–	10,689,463	849,067,497	859,756,960
Parent Company shares held by a subsidiary (Note 22)	–	–	–	(135,812,420)	–	–	–	–	(135,812,420)	–	(135,812,420)
Cash dividends (Note 22)	–	–	–	–	–	–	–	(695,800,820)	(695,800,820)	–	(695,800,820)
Cash dividends received by non-controlling interest (Note 3)	–	–	–	–	–	–	–	–	–	(44,677,014)	(44,677,014)
Balance at December 31, 2015	₱7,906,827,500	₱7,238,721,924	₱–	(₱422,210,490)	₱134,718,769	(₱1,923,026)	(₱254,319,697)	₱440,361,436	₱15,042,176,416	₱847,081,509	₱15,889,257,925

					Other Reserves				
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Subscriptions Receivable (Note 22)	Cost of Parent Company Shares Held by a Subsidiary (Note 22)	Cumulative Unrealized Mark-to-Market Gain on Available-for-Sale Financial Assets (Note 14)	Share in Cumulative Actuarial Losses of an Associate (Note 15)	Share in Cumulative Translation Adjustments of an Associate and Other Reserves (Notes 14 and 22)	Retained Earnings (Deficit) (Note 22)	Total
Balance at January 1, 2014	₱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)
Recycling of share in cumulative translation adjustments of investment in an associate	–	–	–	–	–	–	58,318,988	–	58,318,988
Mark-to-market gain on available-for-sale financial assets	–	–	–	–	23,420,369	–	–	–	23,420,369
Share in remeasurement loss on net retirement benefits of an associate - net of tax	–	–	–	–	–	(3,989,546)	–	–	(3,989,546)
Total comprehensive (income) loss	–	–	–	–	23,420,369	(3,989,546)	58,318,988	1,338,944,984	1,416,694,795
Effect of quasi re-organization (Note 22)	(5,195,482,500)	2,581,009,489	–	–	–	–	–	2,614,473,011	–
Cancellation of Swap Agreement (Note 14)	(1,000,000,000)	(559,847,304)	–	–	–	–	–	–	(1,559,847,304)
Subscriptions during the year (Note 22)	6,175,000,000	2,885,311,795	–	–	–	–	–	–	9,060,311,795
Subscriptions collected (Note 22)	–	–	4,777,099,611	–	–	–	–	–	4,777,099,611
Sale of Parent Company shares held by a subsidiary (Note 22)	–	–	–	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)

	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Subscriptions Receivable (Note 22)	Cost of Parent Company Shares Held by a Subsidiary (Note 22)	Other Reserves: Cumulative Unrealized Mark-to-Market Gain on Available-for-Sale Financial Assets (Note 14)	Other Reserves: Share in Cumulative Actuarial Losses of an Associate (Note 15)	Other Reserves: Share in Cumulative Translation Adjustments of an Associate and Other Reserves (Notes 14 and 22)	Retained Earnings (Deficit) (Note 22)	Total
Balance at January 1, 2013	₱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

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱407,917,846**	₱1,344,062,350	(₱8,734,667)
Adjustments for:			
Amortization of intangible asset (Note 13)	**563,277,634**	48,624,286	–
Equity in net earnings of an associate (Note 15)	**(75,525,743)**	(31,521,474)	–
Depreciation of property and equipment (Note 16)	**65,301,971**	203,368	–
Interest income (Notes 8, 11 and 22)	**(42,034,540)**	(6,465,350)	(1,043)
Dividend income (Note 14)	**(31,770,513)**	(1,999,754)	–
Mark-to-market loss of investments held for trading (Note 26)	**29,331,526**	–	–
Gain on sale of investments held for trading (Note 26)	**(11,363,516)**	–	–
Reversal of allowance for input value-added tax (Note 26)	**(10,992,915)**	–	–
Provisions for doubtful accounts and probable loss on input VAT (Note 25)	**8,645,486**	349,691,841	256,937
Finance charges	**4,996,708**	–	–
Foreign exchange loss (Note 26)	**698,585**	–	–
Loss on sale of property and equipment (Note 26)	**446,948**	–	–
Fair value change due to cancellation of Swap Agreement and sale of golf club shares (Note 14)	–	(1,643,407,304)	–
Transfer of share in cumulative translation adjustments of investment in an associate (Note 14)	–	58,318,988	–
Gain on sale of land (Note 28)	–	(149,170,154)	–
Operating income (loss) before working capital changes	**908,929,477**	(31,663,203)	(8,478,773)
Decrease (increase) in:			
Receivables	**138,177,582**	(381,290,559)	11,438,141
Other current assets	**(41,250,642)**	–	–
Increase (decrease) in:			
Trade payables and other current liabilities	**65,153,439**	21,842,615	(45,567)
Retirement liability	**(5,736,204)**	1,047,500	–
Cash used generated from (used for) operations	**1,065,273,652**	(390,063,647)	2,913,801
Income taxes paid	**(128,269,589)**	–	(2,854,689)
Interest received	**38,173,395**	6,465,350	1,043
Net cash provided by (used in) operating activities	**975,177,458**	(383,598,297)	60,155
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment (Note 16)	**(223,409,934)**	–	–
Cash acquired from step acquisition of a subsidiary (Note 18)	**179,986,807**	–	–
Dividends received	**62,271,200**	1,999,754	–
Acquisition of available-for-sale financial asset (Note 14)	**(14,546,522)**	–	–
Proceeds from sale of property and equipment	**1,013,249**	–	–
Decrease (increase) in:			
Notes receivable	**(1,805,925,000)**	–	–
Other noncurrent assets	**(9,460,547)**	(133,920)	–
Investments held for trading	**4,826,592**	–	–
Acquisition of interest in a subsidiary - net of cash acquired from a subsidiary (Note 2)	–	(10,840,082,454)	–
Acquisition of interest in an associate (Notes 2 and 15)	–	(1,525,034,310)	–
Proceeds from redemption of preferred shares (Note 14)	–	1,000,000,000	–
Proceeds from sale of land and other assets (Note 28)	–	323,371,434	–
Proceeds from sale of available-for-sale financial assets (Note 14)	–	198,000,000	–
Decrease in due to Belle Corporation	–	(179,011,579)	–
Net cash used in investing activities	**(1,805,244,155)**	(11,020,891,075)	–

(Forward)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	**(₱740,477,834)**	₱–	₱–
Collections of subscription receivable (Note 22)	**180,913,587**	4,777,099,611	75,000
Additional cost of parent company shares held by a subsidiary (Note 22)	**(135,812,420)**	–	
Increase in obligations under finance lease	**20,878,294**	–	–
Subscriptions by Belle Corporation (Note 22)	**–**	9,060,311,795	–
Proceeds from sale of Parent Company shares (Note 22)	**–**	258,274,500	–
Net cash provided by (used in) financing activities	**(674,498,373)**	14,095,685,906	75,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,504,565,070)**	2,691,196,534	135,155
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,692,121,573**	925,039	789,884
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 8)	**₱1,187,556,503**	₱2,692,121,573	₱925,039

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. On September 5, 2014, the SEC approved the change in PLC's primary purpose to that of engagement and/or investment in gaming-related businesses.

PLC, a publicly-listed company traded in the Philippine Stock Exchange (PSE), is 78.74% and 78.86% (direct and indirect) owned by Belle Corporation ("Belle") and the rest by the public as at December 31, 2015 and 2014, respectively.

PLC and its subsidiaries (collectively referred to as "the Company") have investment portfolio consisting of investment holding, real estate, public amusement recreation, gaming business and online gaming.

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

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Percentage of Ownership			
	2015		2014	
	Direct	**Indirect**	Direct	Indirect
Gaming Business				
PremiumLeisure and Amusement, Inc. (PLAI)	**100.00**	**–**	100.00	–
Real Estate				
Foundation Capital Resources, Inc. (FCRI)	**100.00**	**–**	100.00	–
Public Amusement and Recreation				
Sinophil Leisure and Resorts Corporation (SLRC)	**100.00**	**–**	100.00	–
Pacific Online Systems Corporation (POSC)[(a)]	**50.10**	**–**	34.50	–
Loto Pacific Leisure Corporation (LotoPac)	**–**	**100.00**	–	–
Lucky Circle Corporation (LCC)	**–**	**100.00**	–	–
Total Gaming Technologies, Inc. (TGTI)	**–**	**98.92**	–	–
Falcon Resources, Inc. (FRI)	**–**	**100.00**	–	–

The principal place of business and country of incorporation of the subsidiaries listed above is in the Philippines.
[(a)] POSC was accounted as a subsidiary starting August 5, 2015 (see Note 18).

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 February 23, 2016.

2. Corporate Reorganization

On June 2, 2014, the Company's BOD approved a plan to take on the gaming business and interests of Belle (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. (TMGCI) (see Note 14);
- A lot with gross area of 4,348 square meters located within the Aseana Business Park at the Manila Bay Reclamation Area;
- 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 28).

(2) To acquire from Belle the following:

- 100% ownership interest in PLAI for a consideration of ₱10,847,820,000 (see Note 13);
- 34.5% ownership interest in Pacific Online Systems Corporation ("POSC") for a consideration of ₱1,525,034,310 (see Note 15).

(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 14).

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 investments held for trading and available-for-sale (AFS) financial assets which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Company presents additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the consolidated financial statements.

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 subsidiaries as at December 31, 2015 and 2014 (see Note 1). Control is achieved 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.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date of the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between and among the Parent Company and subsidiaries are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Non-controlling interest represents the portion of profit or loss and the net assets not held by the Parent Company and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from total equity attributable to owners of the Parent Company.

Material Partly-owned Subsidiary
The non-controlling interests of POSC are material to the Company. Non-controlling interest is 49.9% as at December 31, 2015.

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

Summarized consolidated statement of financial position as at December 31, 2015:

	Amount
	(In thousands)
Total current assets	₱969,430
Total noncurrent assets	1,241,432
Total current liabilities	(353,647)
Total noncurrent liabilities	(98,261)
Total equity	₱1,758,954
Attributable to:	
Equity holders of the Parent	₱1,756,008
Non-controlling interests	2,946
Total	₱1,758,954

Summarized consolidated statement of comprehensive income for the year ended December 31, 2015:

	Amount
	(In thousands)
Revenues	₱1,718,318
Costs and expenses	(1,212,796)
Other income – net	3,860
Income before income tax	509,382
Provision for income tax	(163,312)
Net income	346,070
Other comprehensive loss	(394,749)
Total comprehensive loss	(₱48,679)
Attributable to:	
Equity holders of the Parent	(₱50,574)
Non-controlling interests	1,895
Total	(₱48,679)

Summarized consolidated statement of cash flows for the year ended December 31, 2015:

	Amount
	(In thousands)
Operating	₱441,487
Investing	(666,202)
Financing	22,934
Net decrease in cash and cash equivalents	(₱201,781)

Dividends paid to non-controlling interests in 2015 amounted to ₱44.7 million.

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

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments which were adopted starting January 1, 2015. The adoption of these amendments did not have any significant impact in the Company's consolidated financial statements.

- Philippine Accounting Standards (PAS) 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendment)*

- Annual Improvements to PFRS (2010-2012 cycle)

  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*.
  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*.
  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*.
  - PAS 16, *Property, Plant and Equipment*, and PAS 38*, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*.
  - PAS 24, *Related Party Disclosures - Key Management Personnel*.

- Annual Improvements to PFRS (2011-2013 cycle)

  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*.
  - PFRS 13, *Fair Value Measurement - Portfolio Exception*.
  - PAS 40, *Investment Property*.

5. **Future Changes in Accounting Policies**

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

Effective 2016

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments), are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  a. That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  b. That specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated
  c. That entities have flexibility as to the order in which they present the notes to financial statements
  d. That the share of other comprehensive income (OCI) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line

item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

- 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. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its noncurrent assets.

- 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 are not expected to have any impact to the Company as it is not in the business of agriculture.

- 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. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Company's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (Amendments)*, clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Company since the

Company is not a subsidiary of an investment entity, not an investment entity nor does it have investment entity associates or joint venture.

- 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, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company

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

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

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

Effective 2018

- PFRS 9, *Financial Instruments*, whose final version was issued in July 2014, reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The Company did not early adopt PFRS 9.

  The adoption of PFRS 9 (2014 version) will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The Company is currently assessing the impact of adopting this standard.

Deferred

- 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 SEC and the Financial Reporting Standards Council (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. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements.

The following new standards issued by the IASB have not yet been adopted by the FRSC and Board of Accountancy.

- International Financial Reporting Standard (IFRS) 15, *Revenue from Contracts with Customers.* IFRS 15 was issued in May 2014 by the IASB 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, 2018 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.

- IFRS 16, *Leases*. On January 13, 2016, the IASB issued its new standard, IFRS 16, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

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

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

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Company is currently assessing the impact of IFRS 16 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>Fair Value Measurement</u>
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value

measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which the lowest level of input that is significant to the fair value measurement is observable, either directly or indirectly;
- Level 3: valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

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

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

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

Financial Assets

Date of Recognition of Financial Assets. The Company recognizes financial assets in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on trade date, i.e., the date the Company commits to purchase or sell the asset.

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

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.

The Company has no HTM investments as at December 31, 2015 and 2014.

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 acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are accounted for as financial assets at FVPL unless they are designated as effective hedging instruments as defined by PAS 39.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss. Interest earned or incurred is recorded as interest income or expense, respectively.

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

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

The Company's investments held for trading are classified as financial assets at FVPL. The Company has no derivatives designated as hedging instruments as at December 31, 2015 and 2014.

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

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

This category includes the Company's cash and cash equivalents, receivables (excluding advances to contractors and suppliers) and notes receivable.

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

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

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

This category includes the Company's investments in shares of stock.

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.

The Company has no financial liabilities at FVPL and derivatives designated as hedging instruments as at December 31, 2015 and 2014.

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 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.

The Company's liabilities arising from operations such as trade payables and other current liabilities (excluding statutory payables) and obligations under finance lease are classified under this category.

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

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

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

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

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

Impairment of Financial Assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may

include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost. For 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. 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 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 financial assets, 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 income) is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income.

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

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

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

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

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 income in the expense category consistent with the function of intangible assets.

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

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

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

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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The consideration made in determining significant influence are similar to those necessary to determine control over subsidiaries.

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 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.

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. If the Company's share of losses of an associate equals or exceeds its interest in the associate, the Company discontinues recognizing its share of further losses.

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 income.

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

Property and Equipment

Property and equipment are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation, amortization and accumulated impairment losses, if any. 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 consolidated statement of income.

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

Lottery equipment	4-10 years or term of lease, whichever is shorter
Leasehold improvements	4 years or term of lease, whichever is shorter
Office equipment, furniture and fixtures	3-4 years
Transportation equipment	4-5 years

The assets' residual values, useful lives, and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end to ensure that the periods and method of depreciation and amortization 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 the consolidated statement 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.

Noncurrent Asset Held for Sale
Noncurrent asset is classified as held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the asset must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such asset and its sale must be highly probable.

For the sale to be highly probable:

- The BOD must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Noncurrent asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Assets classified as held for sale are presented separately as current items in the consolidated statement of financial position.

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.

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

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

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

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

For pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur are included in the consolidated financial statements of the Company at their carrying amounts only from acquisition date, i.e., the date it obtains control of the subsidiary. The income and expense of the acquired companies prior to the acquisition in the period of the business combination are also excluded in the consolidated statement of income. The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized as part of "Additional paid-in capital" account in the equity section of the consolidated statement of financial position.

Goodwill

Goodwill acquired in business combination is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

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

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

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

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

Impairment is determined by assessing the recoverable amount of the cash generating unit or group of cash generating units, to which the goodwill relates. Where the recoverable amount of the cash generating unit or group of cash generating units is less than the carrying amounts, an impairment loss is recognized. Impairment loss with respect to goodwill cannot be reversed in future periods.

When goodwill forms part of a cash generating unit or group of cash generating units and part of the operations within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

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

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

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

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

<u>Impairment of Nonfinancial Assets (excluding Goodwill)</u>
The Company assesses at each reporting date whether there is an indication that the noncurrent asset held for sale, intangible asset, investment in an associate 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 and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. 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. 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 the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. 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, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

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. The additional paid-in capital also includes the excess of the cost of the business combination under common control over the net carrying amounts of the assets and liabilities of the acquired companies.

Retained earnings represent accumulated net earnings, net of dividends declared.

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

Cost of Parent Company Shares Held by a Subsidiary

Cost of Parent Company shares held by subsidiary are accounted for as equity instruments which are reacquired (treasury shares) and are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, 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 Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements.

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 23 and 33).

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.

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

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

Commission Income on Ticket Sales. Commission is recognized as a certain percentage of sales of Philippines Charity Sweepstakes Office (PSCO) lottery, sweepstakes and instant scratch tickets.

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

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

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

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

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

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

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

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

Foreign Currency-denominated 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 consolidated statement of 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 that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. 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.

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. Limited ("LIR-HK"), before the Company discontinued using the equity method of accounting for its investments in LIR-HK (see Note 14).

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 taxation 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 relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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 taxation authority.

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

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

The carrying value of input VAT is included under "Other current assets" account in the consolidated statement of financial position.

Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net profit (loss) for the year attributable to common equity holders of the parent by the weighted average number of issued and outstanding common shares during the year, after giving retroactive effect to any stock dividends declared during the year.

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

As the Company has no dilutive potential common shares outstanding, basic and diluted earnings (loss) per share are stated at the same amount.

Business Segments

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

Segment Assets and Liabilities. Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate for sale, club shares, 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 investments and advances.

Inter-segment Transactions. Segment revenue, segment expenses, and segment performance include transfers among business segments. Such transfers are eliminated upon consolidation.

Provisions

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

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 consolidated 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, or PAGCOR. 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. The carrying value of the intangible asset acquired amounted to ₱10,231.3 million and ₱10,794.6 million as at December 31, 2015 and 2014, respectively (see Note 13).

Acquisition of POSC. As discussed in Note 15, PLC acquired 34.5% interest in POSC in 2014 as part of its overall strategy to engage in the gaming industry. As at December 31, 2014, based on management's judgment, PLC's investment gives PLC significant influence over POSC as evidenced by more than 20% voting interest.

In 2015, PLC acquired additional equity interest in POSC increasing its ownership to 50.1%. Based on management's judgment, PLC's additional investment in 2015 gives PLC controlling interest over POSC as evidenced by more than 50% voting interest. The step acquisition of POSC is assessed by management as a business combination under common control (i.e., both PLC and POSC are controlled subsidiaries of Belle before and after the business combination) and was accounted for using the pooling of interest method. Goodwill amounting to ₱1,828.6 million from Belle was recognized in 2015 as a result of the step acquisition (see Notes 18 and 19).

The carrying values of investment in an associate amounted to nil and ₱1,552.6 million as at December 31, 2015 and 2014, respectively (see Note 15).

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

Operating Lease - as a Lessor
POSC and TGTI leases to Philippine Charity Sweepstakes Office (PCSO) the lottery equipment it uses for its nationwide on-line lottery operations. POSC has determined that it has retained substantially all the risks and benefits of ownership of the lottery equipment being leased to PCSO. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life. Accordingly, the lease is accounted for as an operating lease.

Revenue from equipment rental in 2015 amounted to ₱630.9 million and nil in 2014 and 2013 (see Note 29).

Operating Lease - as a Lessee
The Company has entered into various lease agreements as a lessee. Management has determined that all the significant risks and benefits of ownership of these properties, which the Company leases under operating lease arrangements, remain with the lessor. Accordingly, the leases were accounted for as operating leases.

Rent expense amounted to ₱19.2 million in 2015 (see Note 29).

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

The carrying values of lottery equipment under finance lease arrangements amounted to ₱128.4 million and nil as at December 31, 2015 and 2014, respectively (see Note 29).

Classification of Noncurrent Asset Held for Sale. An asset is classified as held for sale if the asset will be recovered principally through a sale transaction rather than through continuing use.

Management assessed that it met the criteria of a noncurrent asset held for sale following the requirements of PFRS 5, which include, among others:

- PLC is committed to sell its land. As discussed in Note 2, the Company's BOD approved to sell to Belle its non-gaming related assets, which includes the undeveloped land located in the City of Tanauan, Province of Batangas.

- The land is available for immediate sale and can be sold in its current condition.

The carrying values of noncurrent asset held for sale amounted to ₱285.5 million as at December 31, 2015 and 2014.

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, 2015 and 2014, are disclosed in Note 31.

Determination of Impairment of Receivables and Notes 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 and counterparties, the 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 2015, 2014 and 2013 amounted to ₱8.6 million, ₱340.7 million and nil, respectively. Allowance for doubtful accounts amounted to ₱440.4 million and ₱427.7 million as at December 31, 2015 and 2014, respectively. The aggregate carrying values of receivables and notes receivables amounted to ₱1,315.5 million and ₱57.8 million as at December 31, 2015 and 2014, respectively (see Notes 10 and 11).

Purchase Price Allocation in Acquisition of an Associate. The acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to determine the goodwill embedded in the acquisition. In 2014, the Parent Company acquired 34.50% interest in POSC. The acquisition in 2014 was accounted on provisional basis pending the fair value of POSC's net assets at that time. In 2015, the Parent Company has determined that its cost in acquiring POSC includes goodwill amounting to ₱932.1 million (see Note 15).

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, renewable for another 25 years by the Philippine Congress. 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.

The carrying value of license amounted to ₱10,231.3 million and ₱10,794.6 million as at December 31, 2015 and 2014, respectively (see Note 13).

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 2015, 2014 and 2013. As discussed in Note 14, the Company implemented the cancellation of the LIR-HK shares and therefore reversed the impairment loss recognized in prior years on the shares amounting to ₱1,501.5 million in 2014. 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 ₱586.5 million and ₱489.8 million as at December 31, 2015 and 2014, respectively. Allowance for impairment on AFS financial asset amounted to ₱574.9 million as at December 31, 2015 and 2014, respectively (see Note 14).

Estimating Impairment of Nonfinancial Assets. The Company assesses whether there are any indicators of impairment for all nonfinancial assets at each reporting date. Nonfinancial assets are 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 intangible asset, investment in an associate, property and equipment and noncurrent asset held for sale was recognized in 2015, 2014 and 2013.

The carrying values of nonfinancial assets (excluding goodwill) as at December 31, 2015 and 2014 are as follows:

	2015	2014
Noncurrent asset held for sale (see Note 17)	**₱285,510,452**	₱285,510,452
Intangible asset (see Note 13)	**10,231,313,891**	10,794,591,525
Investment in an associate (see Note 15)	**–**	1,552,566,238
Property and equipment (see Note 16)	**544,628,438**	383,800

Estimating 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.

Reversal of allowance for probable losses in 2015 amounted to ₱11.0 million. Provision for impairment of input VAT in 2015, 2014 and 2013 amounted to ₱8,419, ₱9.0 million and ₱0.3 million, respectively. The carrying values of input VAT recognized as part of "Other current assets" amounted to ₱28.0 million and ₱1,642 as at December 31, 2015 and 2014, respectively (see Note 12).

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 ₱142.5 million and ₱147.4 million as at December 31, 2015 and 2014, respectively. Recognized deferred tax assets amounted to ₱42.3 million and nil as at December 31, 2015 and 2014, respectively (see Note 27).

Determination and Computation of Retirement Expense. The cost of retirement expense as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Retirement expense charged to profit and loss amounted to ₱5.3 million, ₱1.0 million and nil in 2015, 2014 and 2013, respectively. Remeasurement gain on retirement benefits amounted to ₱6.7 million and nil in 2015 and 2014, respectively. The carrying values of retirement asset as amounted to ₱10.7 million and nil as at December 31, 2015 and 2014, respectively. The carrying values of retirement liability amounted to ₱18.6 million and ₱1.0 million as at December 31, 2015 and 2014, respectively (see Note 21).

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

There was no impairment loss of goodwill in 2015. The carrying values of goodwill amounted to ₱1,828.6 million as at December 31, 2015 (see Note 19).

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

There were no changes in the estimated useful lives of license and property and equipment in 2015, 2014 and 2013. The aggregate carrying values of license and property and equipment amounted to ₱10,775.9 million and ₱10,795.0 million as at December 31, 2015 and 2014, respectively (see Notes 13 and 16).

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

This account consists of:

	2015	2014
Cash on hand and in banks	**₱287,251,110**	₱473,098,345
Short-term deposits	**900,305,393**	2,219,023,228
	₱1,187,556,503	₱2,692,121,573

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 ₱12.0 million, ₱6.5 million and ₱1,043 in 2015, 2014 and 2013, respectively.

9. Investments held for trading

This account consists of investment in quoted shares that are held for trading. The movement in this account in 2015 is as follows:

Balance at beginning of year	₱–
Step acquisition (see Note 18)	249,541,292
Acquisitions	37,541,840
Disposals	(31,004,916)
Mark-to-market loss (see Note 26)	(29,331,526)
Balance at end of year	₱226,746,690

The fair values of these securities are based on the quoted prices on the last market day of the year. The Company determines the cost of investments sold using specific identification method.

Mark-to-market loss in 2015 amounting to ₱29.3 million was recognized in "Other expense - net" account in the consolidated statement of income (Note 26).

Realized gain from sale of investments held for trading in 2015 amounting to ₱11.4 million was recognized in "Other expense - net" account in the consolidated statement of income (Note 26).

10. Receivables

This account consists of:

	2015	2014
Trade receivables	**₱411,398,023**	₱38,809,095
Loan assets	**422,341,815**	422,341,815
Advances to:		
Customers	**79,549,490**	–
Contractors and suppliers	**10,773,717**	–
Officers and employees	**7,647,312**	–
Related parties (see Note 28)	**6,981,116**	16,824,700
Other receivables (see Note 28)	**11,297,195**	7,486,996
	949,988,668	485,462,606
Less allowance for doubtful accounts	**440,403,474**	427,690,938
	₱509,585,194	₱57,771,668

Trade receivables are generally on a 20 to 45 days credit term. These are mostly receivables arising from equipment lease agreement with PCSO, receivables from sale of instant scratch ticket and receivables from Melco for the gaming revenue share in the operations of City of Dreams Manila.

Loan assets pertain to the Parent Company's receivable from Paxell Limited and Metroplex Berhad (both Malaysian companies, collectively referred to as "Metroplex") and LIR-HK amounting to ₱422.3 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 2,000,000,000 undelivered PLC shares (see Note 14). The loan assets were fully provided with allowance as at December 31, 2015 and 2014.

Advances to customers, officers and employees and other receivables are noninterest-bearing and generally collected within the next financial year.

Advances to contractors and suppliers will be applied in future billings.

Refer to Note 28 for the terms and conditions of advances to related parties.

Movement in allowance for doubtful accounts is as follows:

	2015	2014
Balance at beginning of year	**₱427,690,938**	₱86,977,098
Step acquisition (see Note 18)	**13,154,293**	–
Provision for doubtful accounts (see Note 25)	**8,637,067**	340,713,840
Write-off during the year	**(9,078,824)**	–
Balance at end of year	**₱440,403,474**	₱427,690,938

11. **Notes Receivable**

Notes receivable, bearing annual interest of 4.1%, amounted to ₱805.9 million and nil as at December 31, 2015 and 2014, respectively (see Note 28).

Interest income from notes receivable recognized in the consolidated statement of income amounted to ₱28.8 million in 2015 (see Note 28).

12. **Other Current Assets**

This account consists of:

	2015	2014
Instant scratch tickets, spare parts and supplies	**₱69,370,364**	₱–
Prepaid expenses	**29,873,197**	27,207
Input VAT	**28,023,701**	11,041,525
Creditable withholding taxes	**4,673,113**	–
	131,940,375	11,068,732
Less allowance for probable loss on input VAT	**55,387**	11,039,883
	₱131,884,988	₱28,849

Spare parts and supplies are carried at lower of cost or net realizable value. Prepaid expenses pertain to various prepayments which will be applied in the next financial year.

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

	2015	2014
Balance at beginning of year	**₱11,039,883**	₱2,061,882
Provision for probable losses (see Note 25)	**8,419**	8,978,001
Reversal of allowance for probable loss on input VAT (see Note 26)	**(10,992,915)**	–
Balance at end of year	**₱55,387**	₱11,039,883

13. **Intangible Asset**

Intangible asset, which was part of the assets acquired from Belle in 2014 (see Note 2), 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, renewable for another 25 years by the Philippine Congress.

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. Movements in intangible asset in 2015 and 2014 are as follows:

	2015	2014
Cost		
Balance at beginning of year	**₱10,843,215,811**	₱–
Additions (see Note 2)	–	10,843,215,811
	10,843,215,811	10,843,215,811
Accumulated Amortization		
Balance at beginning of year	**48,624,286**	–
Amortization	**563,277,634**	48,624,286
Balance at end of year	**611,901,920**	48,624,286
	₱10,231,313,891	₱10,794,591,525

The unamortized life of the license as at December 31, 2015 is 17.5 years.

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

AFS financial assets consist of the following:

	2015	2014
Quoted shares:		
Belle - common shares (see Note 28)	**₱584,562,793**	₱487,940,069
Golf club shares	**1,900,000**	1,780,000
	586,462,793	489,720,069
Unquoted shares -		
Others	**81,100**	81,100
	₱586,543,893	₱489,801,169

Movements of this account are as follows:

	2015	2014
Cost:		
Balance at beginning of year	**₱667,028,522**	₱3,366,556,838
Step acquisition (see Note 18)	**372,915,179**	–
Additions for the year	**14,546,522**	–
Cancellation of Swap Agreement	–	(1,501,528,316)
Redemption of preferred shares (see Notes 2 and 28)	–	(1,000,000,000)
Disposal during the year	–	(198,000,000)
Balance at end of year	**1,054,490,223**	667,028,522

(Forward)

	2015	2014
Cumulative unrealized mark-to-market gain on AFS financial assets:		
Balance at beginning of year	**₱397,691,122**	₱374,270,753
Reclassification due to step acquisition (see Note 18)	**(38,258,713)**	–
Mark-to-market gains (losses) during the year	**(252,460,264)**	81,739,357
Fair value change due to cancellation of swap agreement	**–**	(58,318,988)
Balance at end of year	**106,972,145**	397,691,122
Accumulated impairment loss:		
Balance at beginning of year	**(574,918,475)**	(2,160,006,791)
Fair value change due to recovery of previous impairment	**–**	1,585,088,316
Balance at end of year	**(574,918,475)**	(574,918,475)
	₱586,543,893	₱489,801,169

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.

Dividend income earned from AFS financial assets amounted to ₱31.8 million and ₱2.0 million in 2015 and 2014, respectively.

Belle
The investment in common shares of Belle is based on the quoted price as at reporting date.

The Company's investment in Belle's 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 28).

As discussed in Note 2, Belle preferred shares were redeemed for ₱1.0 billion cash in 2014 (see Note 28).

Golf Club Shares
In accordance with the Settlement Agreement executed between PLC and Belle in 1997, PLC received 220 shares of 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.

LIR-HK
In 1997, PLC (then Sinophil Corporation), together with Belle (then a 32% shareholder) entered into a Swap Agreement with Metroplex whereby PLC issued 3,870,000,000 of its common shares in exchange for 46,381,600 shares of LIR-HK, a Hong Kong-based company, which is a subsidiary of Metroplex.

On August 23, 2001, a Memorandum of Agreement (MOA) was entered into by and among 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 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 (see Note 10). 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 22).

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 Note 34). 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 20, 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. As a result, investment in LIR-HK was reduced by ₱1,501.5 million in 2014. 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. 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 Notes 10 and 22).

15. 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 ₱1,525.0 million (see Note 2).

On August 5, 2015, PLC acquired additional 47,851,315 common shares of POSC from Belle for a total consideration of ₱1,000.1 million. As a result of the step acquisition, the ownership interest of PLC in POSC increased to 50.1% and accounted for as a subsidiary starting August 5, 2015 (see Note 18).

Investment in POSC is accounted for under the equity method until August 4, 2015. Details of this account are as follows:

	2015	2014
Acquisition costs	**₱1,525,034,310**	₱1,525,034,310
Accumulated equity in net earnings:		
Balance at beginning of the year	**27,531,928**	–
Equity in net earnings for the year	**75,525,743**	31,521,474
Share in the other comprehensive loss of an associate	**(38,258,713)**	(3,989,546)
Balance at end of year	**64,798,958**	27,531,928
Dividend income	**(30,500,687)**	–
Step acquisition (see Note 18)	**(1,559,332,581)**	–
	₱–	₱1,552,566,238

The 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
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
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.*

PLC has determined that the acquisition cost of POSC in 2014 includes goodwill amounting to ₱932.1 million which was recognized starting July 22, 2014.

16. **Property and Equipment**

The movements in this account follow:

	2015				
	Lottery Equipment	**Leasehold Improvements**	**Office Equipment, Furniture and Fixtures**	**Transportation Equipment**	**Total**
Cost					
Balance at beginning of year	**₱–**	**₱–**	**₱375,918**	**₱1,248,214**	**₱1,624,132**
Step acquisition (see Note 18)	**1,125,454,532**	**68,987,580**	**170,550,478**	**75,711,607**	**1,440,704,197**
Additions	**209,054,750**	**4,200,013**	**8,206,856**	**1,948,315**	**223,409,934**
Disposals	**–**	**–**	**(73,529)**	**(6,566,929)**	**(6,640,458)**
Balance at end of year	**1,334,509,282**	**73,187,593**	**179,059,723**	**72,341,207**	**1,659,097,805**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**–**	**–**	**304,170**	**936,162**	**1,240,332**
Step acquisition (see Note 18)	**824,225,210**	**51,217,690**	**131,769,543**	**45,894,882**	**1,053,107,325**
Depreciation and amortization (see Notes 24 and 25)	**49,171,616**	**2,974,784**	**7,801,098**	**5,354,473**	**65,301,971**
Disposals	**–**	**–**	**(68,933)**	**(5,111,328)**	**(5,180,261)**
Balance at end of year	**873,396,826**	**54,192,474**	**139,805,878**	**47,074,189**	**1,114,469,367**
Net Book Value	**₱461,112,456**	**₱18,995,119**	**₱39,253,845**	**₱25,267,018**	**₱544,628,438**

	2014				
	Lottery Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
Cost					
Balance at beginning of year	₱–	₱–	₱–	₱–	₱–
Acquisition of a subsidiary	–	–	375,918	1,248,214	1,624,132
Balance at end of year	–	–	375,918	1,248,214	1,624,132
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	–	–	–	–
Acquisition of a subsidiary			253,328	783,636	1,036,964
Depreciation and amortization (see Note 25)	–	–	50,842	152,526	203,368
Balance at end of year	–	–	304,170	936,162	1,240,332
Net Book Value	₱–	₱–	₱71,748	₱312,052	₱383,800

Certain lottery equipment was acquired under finance lease agreements. The carrying amount of the equipment under finance lease agreements amounted to ₱128.4 million as at December 31, 2015 (see Note 29).

The cost of fully depreciated property and equipment still in use as at December 31, 2015 and 2014 amounted to ₱688.0 million and nil, respectively.

17. Noncurrent Asset Held for Sale

As at December 31, 2015 and 2014, this account pertains to land amounting to ₱285.5 million.

In 2015, the Company reclassified its land from "Investment properties" account to "Noncurrent asset held for sale" account with carrying value of ₱285.5 million as at December 31, 2014. This land will be sold to Belle in relation to the Investment Plan, as approved by PLC's BOD on June 2, 2014 (see Note 2).

The December 31, 2014 consolidated statement of financial position was restated to be consistent with the current year presentation. This resulted to increase in total current assets and decrease in total noncurrent assets as at December 31, 2014 by ₱285.5 million. The restatement has no impact to the total assets. The restatement also has no impact on the consolidated statement of financial position as at January 1, 2014 and the consolidated statements of comprehensive income and statements of cash flows for the year ended December 31, 2014 and 2013.

As at February 23, 2016, PLC is still in the process of completing the administrative requirements for the transfer.

18. Business Combination

The Company's ownership interest in POSC increased from 34.5% in 2014 to 50.1% in 2015 as a result of 2015 step acquisition.

On August 5, 2015, PLC acquired additional 47,851,315 common shares of POSC for a total consideration of ₱1,000.1 million. Based on Management's judgment, PLC's investment in POSC gives PLC control over POSC as evidenced by holding more than 50% voting rights. Thus, starting August 5, 2015, POSC was accounted for as a subsidiary.

The step acquisition was accounted for as a business combination under common control using pooling of interest method. As at August 5, 2015, the assets and liabilities of POSC were reflected in PLC at their carrying amounts. No adjustments were made to reflect the fair values, or to recognize any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method. The only adjustments made were to align accounting policies of POSC with that of the Company.

There was no new goodwill recognized as a result of the business combination. The only goodwill that was recognized is the existing goodwill that was previously recorded in Belle with total amount of ₱1,828.6 million (refer to Note 19).

The difference between the consideration paid/transferred and the net assets acquired amounting to ₱297.1 million was reflected as part of additional paid-in capital in the equity portion of the consolidated statement of financial position (see Note 22).

Further, there was no restatement of financial information in the consolidated financial statements for the periods prior to the business combination under common control.

The carrying values of the assets and liabilities of POSC, total consideration and equity reserve recognized in the consolidated financial statements as at August 5, 2015 are as follows:

Total assets:		
Cash	₱179,986,807	
Investments held for trading (see Note 9)	249,541,292	
Receivables (net of allowance for doubtful accounts amounting to ₱13.2 million) (see Note 10)	583,875,018	
Prepaid expenses and other current assets	104,381,651	
Property and equipment (see Note 16)	387,596,872	
AFS financial assets (see Note 14)	334,656,466	
Goodwill (see Note 19)	110,933,996	
Deferred tax asset	42,351,586	
Other noncurrent assets	41,185,707	2,034,509,395
Less liabilities acquired:		
Trade and other current liabilities	220,779,177	
Obligations under finance lease	92,853,582	
Retirement liability (see Note 21)	19,338,567	332,971,326
Carrying value of net assets of POSC as at August 5, 2015		1,701,538,069
Goodwill in POSC from Belle (see Note 19)		1,717,643,956
Total carrying values of net assets acquired		3,419,182,025
Less total consideration:		
Carrying value of investment in associate (see Note 15)	1,559,332,581	
Cost of additional interest acquired	1,000,092,484	
Cost of PLC shares held by POSC	(286,398,070)	
Non-controlling interest	849,067,497	3,122,094,492
Additional Paid-in Capital (see Note 22)		₱297,087,533

19. **Goodwill**

Goodwill acquired from the business combination in 2015 has been allocated to the cash-generating units consisting of the operations of POSC and FRI as follows:

POSC (see Note 18)	₱1,717,643,956
FRI (see Note 18)	110,933,996
	₱1,828,577,952

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

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

POSC

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

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

FRI

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

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

20. Trade Payables and Other Current Liabilities

This account consists of:

	2015	2014
Trade payables	**₱202,260,441**	₱–
Service, professional and management fee (see Note 28)	**46,048,204**	14,136,628
Accrued expenses	**41,167,043**	48,727,487
Consultancy, software and license fees payable	**37,484,428**	–
Withholding taxes payable	**13,211,119**	1,460,051
Communication, rental and utilities	**8,801,706**	–
Advances from Belle (see Note 28)	–	14,501,177
Other payables	**16,799,765**	316,164
	₱365,772,706	₱79,141,507

Trade payables are generally on a 30-60 days credit term.

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

Consultancy, software and license fees payable are for consultancy services on gaming operations and the supply of computer hardware and operating system software for online lottery system.

21. Retirement Benefits

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of net retirement costs recognized in the consolidated statements of income and consolidated statements of comprehensive income and the retirement benefits recognized in the consolidated statement of financial position:

Changes in the retirement benefits of the Company in 2015 are as follows:

	Fair Value of Plan Assets	Present Value of Defined Benefit Obligation	Retirement Benefits
At January 1, 2015	**₱–**	**(₱1,047,500)**	**(₱1,047,500)**
Step acquisition (see Note 18)	**55,751,770**	**(75,090,337)**	**(19,338,567)**
Net retirement income (costs) in profit or loss:			
Current service cost	–	(4,550,023)	(4,550,023)
Net interest	2,487,919	(3,201,692)	(713,773)
	2,487,919	**(7,751,715)**	**(5,263,796)**
Benefits paid	**(8,777,863)**	**8,777,863**	–
Contributions	**11,000,000**	–	**11,000,000**
Remeasurement gain (loss) recognized in OCI:			
Actuarial changes due to experience adjustment	–	**7,473,790**	**7,473,790**
Actuarial changes arising from changes in financial assumptions	–	**4,006,038**	**4,006,038**
Actual return excluding amount included in net interest cost	**(2,177,137)**	–	**(2,177,137)**
Actuarial changes due to changes in demographic assumptions	–	**265,776**	**265,776**
Effect of asset ceiling	**(2,824,953)**	–	**(2,824,953)**
	(5,002,090)	**11,745,604**	**6,743,514**
At December 31, 2015	**₱55,459,736**	**(₱63,366,085)**	**(₱7,906,349)**

The 2015 retirement benefits are presented in the consolidated statement of financial position as follows:

Retirement asset (recognized as part of "Other noncurrent asset" account in the consolidated statement of financial position)	₱10,731,917
Retirement liability	(18,638,266)
Net retirement liability	(₱7,906,349)

Changes in the retirement liability of the Company in 2014 are as follows:

Balance at beginning of year	₱–
Retirement cost charged to profit and loss - Current service cost	(1,047,500)
Balance at end of year	(₱1,047,500)

The latest actuarial valuation of the Company is as at December 31, 2015.

The following table presents the fair values of the plan assets of the Company as at December 31, 2015:

Cash and cash equivalents	₱25,759,950
Debt instruments - government bonds	21,916,794
Debt instruments - other bonds	1,200,448
Unit investment trust funds	6,582,544
	₱55,459,736

The Company's plan assets is administered by a Trustee. The Company and the retirement plan have no specific matching strategies between the retirement plan assets and define benefit asset or obligation under the retirement plan.

The principal assumptions used to determine retirement plan assets as at December 31 are as follows:

	2015	2014
Discount rate	**4.89-5.68%**	5.68%
Rate of compensation increase	**6.00-10.00%**	6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2015 assuming if all other assumptions were held constant:

	Increase (Decrease)	Increase (Decrease) in Defined Benefit Obligation
Discount rate	1.00%	(₱9,010,431)
	(1.00%)	11,302,206
Salary increase rate	1.00%	10,223,797
	(1.00%)	(8,409,567)

The average duration of the defined benefit obligation is 14 to 16 years in 2015.

The maturity analysis of the undiscounted benefit payments in 2015 follows:

Less than 1 year	₱4,689,405
More than 1 year to 5 years	16,006,044
More than 5 years to 10 years	10,863,033

22. Equity

Preferred Stock

As at December 31, 2015 and 2014, PLC has not issued any preferred stock out of the authorized 6,000,000,000 shares with par value of ₱0.25. 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	
	2015	2014
Authorized - ₱0.25 par value per share	**37,630,000,000**	37,630,000,000
Issued:		
Balance at beginning of year	**31,440,564,700**	3,096,990,785
Cancellation of Swap Agreement (see Note 14)	**–**	(1,000,000,000)
Issuances	**186,745,300**	29,343,573,915
Balance at end of year	**31,627,310,000**	31,440,564,700
Subscribed	**–**	186,745,300
	31,627,310,000	31,627,310,000

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**	–	

**On May 29, 2014, SEC approved the reduction of par value of preferred shares to ₱0.25 from ₱1.00 per share.*

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 14).

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 14).

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 14).

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 14).

As discussed in Note 14, 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.

Additional Paid-in Capital

Additional paid-in capital as at December 31, 2015 and 2014 consists of the following:

	2015	2014
Subscription and/or issuance of shares:		
Balance at beginning of year	**₱6,946,201,779**	₱2,039,727,799
Subscriptions during the year, net of listing fees	**(4,567,388)**	2,885,311,795
Quasi re-organization	–	2,581,009,489
Cancellation of swap agreement (see Note 14)	–	(559,847,304)
Balance at end of year	**6,941,634,391**	6,946,201,779
Business combination during the year (see Note 18)	**297,087,533**	–
	₱7,238,721,924	₱6,946,201,779

Additional paid-in capital arising from business combination pertains to the excess of consideration from the carrying values of net assets acquired from the business combination under common control using pooling of interest method (see Note 18).

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 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.

Interest income in 2015 arising from delinquent shares amounted to ₱1.2 million.

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. In 2015, the additional proceeds received from the sale of delinquent shares was recognized as part of "additional paid-in capital" account amounting to ₱6.2 million.

Further, listing fees pertaining to the 2015 issuance of shares were charged to "Additional paid-in-capital" account amounting to ₱10.7 million.

Subscription receivable amounted to nil and ₱185.5 million as at December 31, 2015 and 2014, respectively.

Parent Company Shares Held by a Subsidiary
POSC holds 291,770,000 common shares of the Parent Company with a cost of ₱422.2 million as at December 31, 2015. These are presented as "Cost of Parent Company shares held by a subsidiary" and are treated as a reduction in equity.

FCRI holds 156,530,000 common shares of the Parent Company with a cost of ₱477.3 million as at December 31, 2013. In 2014, 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.

Retained Earnings
On March 5, 2015, the BOD approved declaration of cash dividends amounting to ₱695.8 million or ₱0.022 per share in favor of stockholders as at March 20, 2015.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries and an associate amounting to ₱241.2 million as at December 31, 2014. Such amounts are not available for distribution until such time that the Parent Company receives the dividends from the respective subsidiaries and associate.

23. 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 in accordance with PLAI's operating agreement with Melco as follows:

	2015	2014
Gaming revenue share (Gross)	**₱1,008,317,252**	₱45,674,116
Less PAGCOR license fee	**252,079,313**	6,865,021
Gaming revenue share (Net)	**₱756,237,939**	₱38,809,095

24. Cost of Services

This account consists of:

	2015	2014	2013
Software and license fees (see Note 29)	**₱90,412,003**	₱–	₱–
Service fees (see Notes 28 and 33)	**89,442,902**	12,075,317	–
Depreciation and amortization (see Note 16)	**49,171,616**	–	–
Repairs and maintenance	**34,506,867**	–	–
Communication	**33,920,408**	–	–
Consultancy fees	**24,623,420**	–	–
Payroll and related expenses	**9,810,651**	–	–
Operating supplies	**7,712,320**	–	–
Others	**16,998,037**	–	–
	₱356,598,224	₱12,075,317	₱–

25. General and Administrative Expenses

This account consists of:

	2015	2014	2013
Salaries, wages and benefits	**₱94,553,016**	₱4,501,906	₱1,355,472
Professional, service and management fees (see Note 28)	**34,440,914**	11,757,694	2,236,832
Transportation and travel	**33,813,725**	4,907,707	–
Taxes and licenses	**19,944,895**	26,676,818	3,061,835
Rent (see Note 29)	**19,249,926**	–	–
Depreciation and amortization (see Note 16)	**16,130,355**	203,368	–
Utilities	**13,369,817**	113,484	–
Representation and entertainment	**12,536,329**	5,245,618	580,919
Communication	**11,233,857**	–	–
Provision for doubtful accounts and probable loss on input VAT (see Notes 10 and 12)	**8,645,486**	349,691,841	256,937
Marketing, advertising and promotion	**6,511,674**	–	–

(Forward)

	2015	2014	2013
Repairs and maintenance	**₱5,835,795**	₱–	₱–
Placement and listing fee	**1,750,056**	736,336	–
Commission expense	**1,250,116**	1,525,034	–
Outside services	**790,950**	1,022,032	–
Insurance	**755,601**	284,279	389,855
Association dues	**–**	640,565	773,943
Miscellaneous	**8,937,032**	985,508	79,917
	₱289,749,544	₱408,292,190	₱8,735,710

26. **Other Expense - net**

In 2015, this account consists of:

Mark-to-market loss of investments held for trading (see Note 9)	₱29,331,526
Gain on sale of investments held for trading (see Note 9)	(11,363,516)
Reversal of allowance for probable loss on input VAT (see Note 12)	(10,992,915)
Foreign exchange loss	698,585
Loss on sale of property and equipment	446,948
Other income	(5,764,923)
	₱2,355,705

27. **Income Taxes**

The components of income tax expense for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Current income tax	**₱186,833,985**	₱5,117,366	₱–
Deferred income tax relating to origination and reversal of temporary difference	**(2,070,488)**	–	–
	₱184,763,497	₱5,117,366	₱–

PLC and its subsidiaries are using itemized deduction in computing their taxable income, except for PLAI, who elected to use Optional Standard Deduction (OSD).

The components of the Company's deferred tax assets as at December 31, 2015 are as follows:

Deferred income tax assets on temporary differences arising from:	
Accrued expenses	₱32,011,157
Retirement liability	1,420,032
Unamortized past service costs	5,331,586
Allowance for doubtful accounts on receivables	3,241,935
Unrealized foreign exchange gain	256,423
	₱42,261,133

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

	2015	2014
Allowance for doubtful accounts on receivables and others	**₱427,690,938**	₱427,696,767
NOLCO	**24,860,713**	43,224,980
Allowance for deferred oil exploration and development costs	**18,377,841**	18,377,841
Allowance for impairment of AFS investments	**2,000,000**	2,000,000
Excess MCIT over regular corporate income tax	**600,723**	–
	₱473,530,215	₱491,299,588

Deferred tax assets amounting to ₱142.5 million and ₱147.4 million as at December 31, 2015 and 2014, 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.

As at December 31, 2015, the carryforward benefits of NOLCO and MCIT that can be claimed as deductions from regular taxable income and regular corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Expiry Date	NOLCO	MCIT
2013	December 31, 2016	₱135,300	₱–
2014	December 31, 2017	24,625,109	–
2015	December 31, 2018	100,304	600,723
		₱24,860,713	₱600,723

The movements in NOLCO follow:

	2015	2014
NOLCO:		
Balance at beginning of year	**₱43,224,980**	₱7,795,341
Additions	**109,805**	35,534,004
Applications	**(18,394,200)**	–
Expirations	**(79,872)**	(104,365)
Balance at end of year	**₱24,860,713**	₱43,224,980

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

	2015	2014	2013
Income tax computed at statutory tax rate	**₱122,375,354**	₱403,218,705	(₱2,620,400)
Income tax effect of:			
Nondeductible expenses	**182,338,123**	19,253,281	337,382
Excess of itemized deduction over OSD	**(72,567,213)**	2,040,905	–

(Forward)

	2015	2014	2013
Equity share in net earnings of an associate	**(₱22,657,723)**	(₱9,456,442)	₱–
Income not subject to income tax	**(16,238,084)**	(45,350,972)	–
Change in unrecognized deferred tax assets	**(4,911,407)**	(362,679,816)	2,256,650
Interest subject to final tax	**(3,599,515)**	(1,939,605)	(313)
Expired NOLCO	**23,962**	31,310	26,681
	₱184,763,497	₱5,117,366	₱–

28. **Related Party Disclosures**

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.

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, of such number of developed lots in Rancho Montana having an aggregate value of approximately ₱794.0 million based on agreed valuation of ₱2,000 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 amounted to ₱149.2 million in 2014.

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	Parent	Advances (see Notes 10 and 20)	**2015**	**₱6,261,135**	**₱6,981,116**	Noninterest-bearing, due and demandable	Unsecured, no impairment
			2014	(22,393,756)	1,556,639		
			2013	(12,008,133)			
		Notes receivable (see Note 11)	**2015**	**1,805,925,000**	**805,925,000**	4.1 % interest bearing, one year term, renewable	Unsecured, no impairment
			2014	–	–		
			2013	–			

(Forward)

Related Party	Relationship	Transaction		Transaction Amounts	Outstanding Balance Receivables (Payables)	Terms	Condition
		Available-for-sale financial assets (see Note 14)	**2015**	**₱387,461,701**	**₱584,562,793**	Noninterest-bearing	Unsecured, with allowance for impairment amounting to ₱569.9 million as at December 31, 2015 and 2014
			2014	–	487,940,069		
			2013	–			
		Interest income (see Note 10 and 11)	**2015**	**28,776,131**	**2,406,953**	Noninterest-bearing, 30 days	Unsecured, no impairment
			2014	–	–		
			2013	–			
		Service and management fee (see Note 20)	**2015**	**20,160,000**	**–**	Noninterest-bearing, 30 days	Unsecured
			2014	7,500,000	(7,025,000)		
			2013	–	–		
		Redemption of preferred shares	**2015**	**–**	**–**	Noninterest-bearing	Unsecured
			2014	1,000,000,000	–		
			2013	–			
		Sale of non-gaming assets (see Note 2)	**2015**	**–**	**–**	Noninterest-bearing	Unsecured
			2014	521,371,434	–		
			2013	–			
Parallax Resources, Inc.	Stockholder	Advances (see Note 10)	**2015**	**–**	**–**	Noninterest-bearing, due and demandable	Unsecured, no impairment
			2014	–	766,884		
			2013	–			
Officers	Key management personnel	Salaries and wages	**2015**	**₱13,207,004**			
			2014	3,454,406			
			2013	1,341,485			

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 ₱20.2 million and ₱7.5 million in 2015 and 2014, respectively were presented as part of "Services fees" included under costs of services and "Professional, service and management fees" under general and administrative expenses in the consolidated statements of income (see Notes 24 and 25).

29. **Leases**

a. Finance Lease

Lottery Equipment. The contracts for the supply of online lottery system entered into by POSC with Scientific Games and Intralot and by TGTI with Intralot contain a lease which is classified as finance lease. These related equipment are included as part of Lottery equipment under "Property and Equipment" in the consolidated statements of financial position. The details in 2015 are as follows:

Property and equipment under finance lease	₱693,707,891
Less accumulated depreciation	565,345,083
	₱128,362,808

The additions in 2015 amounted to ₱31.6 million.

As at December 31, 2015, future minimum lease payments under these finance leases together with present value of the minimum lease payments are as follows:

Within one year	₱27,056,368
After one year but not more than five years	89,068,314
More than five years	12,766,463
Total future minimum lease payments	128,891,145
Less amount representing interest	10,335,408
Present value of lease payments	118,555,737
Less current portion of obligations under finance lease	25,028,462
Noncurrent portion of obligation under finance lease	₱93,527,275

The contracts of POSC remain effective until July 31, 2018, the expiration of Equipment Lease Agreement (ELA). Payment to Scientific Games is based on a pre-agreed percentage of POSC's revenue from PCSO's conduct of online lottery games running under the system provided by Scientic games. Payment to Intralot is based on pre-agreed percentage of the revenue generated by the terminals from PCSO's conduct of online lottery games running on the hardware, operating system software and terminals (collectively referred to as the "System"), including without limitation, the revenue from the ELA contract or a fixed amounting US$110 per terminal per month, whichever is higher. Payments to Scientific Games and Intralot include the non-lease elements which are presented as "Software and license fees" under 'Cost and expenses" in the consolidated statements of income (see Note 24).

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

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

Transportation Equipment. POSC and LCC has finance leases covering its transportation equipment subject to two-year term. As at December 31, 2015, future minimum lease payments under these finance leases together with the present value of the minimum lease payments are as follows:

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

b. Operating Lease

As Lessor

POSC leases to PCSO online lottery equipment and accessories for a period of 3 years until July 31, 2018 as provided in the 2015 Amended ELA (see Note 33). Rental payments is based on a percentage of gross amount of lotto ticket sales from the operation of all PCSO's lotto terminals or a fixed annual rental of ₱35,000 per terminal in commercial operation, whichever is higher. Rental income recognized in the consolidated statement of income amounted to

₱395.5 million in 2015. Future minimum rental income as at December 31, 2015 for the remaining lease term is as follows:

Within one year	₱143,080,000
After one year but not more than five years	226,543,333
	₱369,623,333

TGTI leases to PCSO online KENO games for a period of 10 years from the time the ELA will run in commercial operations. Rental payment by PCSO is based on certain percentage of gross amount of Online KENO games from the opearation of all PCSO's terminal or a fixed annual rental of ₱40,000 per terminal in commercial operation, whichever is higher. Rental income recognized in the consolidated statement of income amounted to ₱235.4 million in 2015. As at December 31, 2015, future minimum rental income for the remaining lease terms is as follows:

Within one year	₱70,800,000
After one year but not more than five years	189,900,000
	₱260,700,000

<u>As Lessee</u>

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

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

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

The above operating leases have no restrictions and contingent rentals.

As at December 31, 2015, future minimum rental expense for the remaining lease terms are as follows:

Within one year	₱14,472,951
After one year but not more than five years	7,976,663
	₱22,449,614

30. **Basic/Diluted Earnings (Loss) Per Common Share**

As at December 31, 2015 and 2014, basic/diluted losses per share were computed as follows:

	2015	2014	2013
Net income attributable to the equity holders of the Parent (a)	**₱155,232,754**	₱1,338,944,984	(₱8,734,667)
Weighted average common shares, beginning	**31,440,564,700**	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	**155,621,083**	8,233,333,333	–
Weighted average common shares, end (b)	**31,596,185,783**	15,459,912,500	7,770,780,000
Earnings (loss) per common share (a/b)	**₱0.004913**	₱0.086607	(₱0.00112)

31. **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 obligations under finance lease. The main purpose of these financial instruments is to raise financing for the Company's operations and capital expenditures. The Company has other financial assets and liabilities such as investments held for trading, AFS financial assets, trade and other receivables, trade and other current liabilities and accrued expenses which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, equity price risk and foreign currency risk.

The BOD and management review and approve the policies for managing credit, liquidity, equity price and foreign currency 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, trade receivables and others and AFS financial assets.

The Company's credit risk is concentrated on a few companies with which it transacts business. One of which is the PCSO, through its subsidiary, POSC. POSC's trade receivable arises from equipment lease agreement with PCSO, POSC's sole customer. It is part of the Company policy that all the terms specified in the ELA with PCSO are complied with and ensure that payment terms are met. Another major customer is Melco, from whom gaming revenue share is collected. Belle, a major stockholder, also has outstanding loans payable to the Company. The Company keeps close coordination with Melco and Belle and ensures that contract and agreement terms and conditions are met.

With respect to credit risk arising from the other financial assets which are composed of cash and cash equivalents, other receivables, investments held for trading and AFS financial assets, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

	2015						
		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*	₱1,179,595,088	₱–	₱–	₱–	₱–	₱–	₱1,179,595,088
Investment held for trading	226,746,690	–	–	–	–		226,746,690
Receivables**	435,542,636	56,275,505	–	6,993,336	–	440,403,474	939,214,951
Notes receivable	805,925,000	–	–	–	–	–	805,925,000
AFS financial assets	586,543,893	–	–	–	–	574,918,475	1,161,462,368
	₱3,234,353,307	₱56,275,505	₱–	₱6,993,336	₱–	₱1,015,321,949	₱4,312,944,097

**Excluding cash on hand amounting to ₱8.0 million.*
***Excluding advances to contractors and suppliers amounting to ₱10.8 million.*

	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*	₱2,692,117,659	₱–	₱–	₱–	₱–	₱–	₱2,692,117,659
Receivables	57,748,413	–	–	–	23,255	427,690,938	485,462,606
AFS financial assets	489,801,169	–	–	–	–	574,918,475	1,064,719,644
	₱3,239,667,241	₱–	₱–	₱–	₱23,255	₱1,002,609,413	₱4,242,299,909

**Excluding cash on hand amounting to ₱3,914.*

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

	2015		
	High Grade	Medium Grade	Total
Cash and cash equivalents*	₱1,179,595,088	₱–	₱1,179,595,088
Investment held for trading	226,746,690	–	226,746,690
Receivables**	435,542,636	–	435,542,636
Notes receivable	805,925,000	–	805,925,000
AFS financial assets	584,562,793	1,981,100	586,543,893
	₱3,232,372,207	₱1,981,100	₱3,234,353,307

**Excluding cash on hand amounting to ₱8.0 million.*
***Excluding advances to contractors and suppliers amounting to ₱10.8 million.*

	2014		
	High Grade	Medium Grade	Total
Cash and cash equivalents	₱2,692,117,659	₱–	₱2,692,117,659
Receivables	57,748,413	–	57,748,413
AFS financial assets	487,940,069	1,861,100	489,801,169
	₱3,237,806,141	₱1,861,100	₱3,239,667,241

**Excluding cash on hand amounting to ₱3,914.*

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.

Liquidity Risk. Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset.

The Company seeks to manage its liquidity profile to be able to finance its investments and pay its outstanding liabilities. To limit this risk, the Company closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when they fall due. To cover its financing requirements, the Company uses internally generated funds as well as a committed line of credit that it can access to meet liquidity needs.

The Company maintains sufficient cash to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet the requirements for additional capital expenditures, maturing obligations and cash dividends. Liquidity risk is minimal as at December 31, 2015 and 2014 as the total current assets can cover the total current liabilities as they fall due.

The maturity profile of the Company's financial assets and liabilities follow:

	2015				
	On Demand	**1 to 60 Days**	**Over 60 Days but less than 1 year**	**Over 1 year**	**Total**
Financial Assets					
Cash and cash equivalents*	**₱1,179,595,088**	**₱–**	**₱–**	**₱–**	**₱1,179,595,088**
Investments held for trading	**226,746,690**	**–**	**–**	**–**	**226,746,690**
Receivables**	**503,672,315**	**435,542,636**	**–**	**–**	**939,214,951**
Notes receivable	**–**	**250,000,000**	**555,925,000**	**–**	**805,925,000**
AFS financial assets	**–**	**–**	**–**	**1,161,462,368**	**1,161,462,368**
	₱1,910,014,093	**₱685,542,636**	**₱555,925,000**	**₱1,161,462,368**	**₱4,312,944,097**
Financial Liabilities					
Trade payables and other current liabilities***	**₱41,167,043**	**₱202,260,441**	**₱109,134,103**	**₱–**	**₱352,561,587**
Obligations under finance lease****	**–**	**–**	**27,237,857**	**101,834,777**	**129,072,634**
	₱41,167,043	**₱202,260,441**	**₱136,371,960**	**₱101,834,777**	**₱481,634,221**

**Excluding cash on hand amounting to ₱8.0 million.*
***Excluding advances to contractors and suppliers amounting to ₱10.8 million.*
****Excluding statutory liabilities amounting to ₱13.2 million.*
*****Based on undiscounted future payments.*

	2014				
	On Demand	1 to 60 Days	Over 60 Days but less than 1 year	Over 1 year	Total
Financial Assets					
Cash and cash equivalents*	₱2,692,117,659	₱–	₱–	₱–	₱2,692,117,659
Receivables	427,714,193	57,748,413	–	–	485,462,606
AFS financial assets	–	–	–	1,064,719,644	1,064,719,644
	₱3,119,831,852	₱57,748,413	₱–	1,064,719,644	₱4,242,299,909
Financial Liabilities					
Trade payables and other current liabilities**	₱48,727,487	₱21,526,177	₱7,427,792	₱–	₱77,681,456

**Excluding cash on hand amounting to ₱3,914.*
***Excluding statutory liabilities amounting to ₱1.5 million.*

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 investments held for trading and AFS financial assets.

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.

	2015		2014	
	Increase in Equity Price	**Decrease in Equity Price**	Increase in Equity Price	Decrease in Equity Price
Percentage increase (decrease) in equity price	**5%**	**(5%)**	4%	(4%)
Effect on equity	**₱38,747,781**	**(₱38,747,781)**	₱2,461,236	(₱2,461,236)

Investments held for trading

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Company's 2015 consolidated income before income tax.

	Increase in Equity Price	Decrease in Equity Price
Percentage increase (decrease) in equity price	5%	(5%)
Effect on consolidated income before income tax	₱11,239,000	(₱11,239,000)

Foreign Currency Risk. The Company, through POSC, has foreign currency exposures. Such exposure arises from cash and cash equivalents and payables to certain suppliers which are denominated in U.S. dollar (US$). The Company's financial instruments which are denominated in foreign currency include cash and cash equivalents and consultancy and software license fees payable. The Company maintains a US$ account to match its foreign currency requirements.

In translating foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used was ₱47.12 to US$1, the Php to US$ exchange rates as at December 31, 2015.

The following table demonstrates the sensitivity to a reasonably possible change in the Php-US$ exchange rates, with all other variables held constant, of the Company's consolidated income before income tax in 2015. There is no other impact on the Company's equity other than those already affecting profit or loss.

Increase (Decrease) in US$ Exchange Rate	Effect on Income before Income Tax
5%	(₱3,363,146)
(5%)	3,363,146

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 2015 and 2014.

The Company considers the total equity attributable to the equity holders of the Parent as its capital amounting to ₱15,042.2 million and ₱15,787.9 million as at December 31, 2015 and 2014, respectively.

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 trade payables and other current liabilities (excluding statutory liabilities) 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 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 estimated fair value of obligations under finance lease was calculated using the discounted cash flow methodology, using PDST-R2 rates ranging from 2.4% to 3.9%.

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, 2015 and 2014:

			2015		
	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:					
Investments held for trading	**December 31, 2015**	**₱226,746,690**	**₱–**	**₱–**	**₱226,746,690**
AFS investments	**December 31, 2015**	**586,462,793**	**–**	**81,100**	**586,543,893**
Liabilities					
Liabilities for which fair value is disclosed -					
Obligations under finance lease		**–**	**–**	**120,128,561**	**120,128,561**

			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	December 31, 2014	₱489,720,069	₱–	₱81,100	₱489,801,169

There were no transfers between fair value measurements in 2015 and 2014.

32. **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, 2015, the Company is organized into five business segments, namely: investment holding, real estate, public amusement recreation, gaming business and online gaming.

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

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

	2015						
	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Online Gaming	Eliminations/ Adjustments	Consolidated
Earnings Information							
Revenue:							
External	**₱–**	**₱–**	**₱–**	**₱756,237,939**	**₱719,326,926**	**₱–**	**₱1,475,564,865**
Internal	**575,356,767**	**–**	**–**	**–**	**–**	**(575,356,767)**	**–**
Cost and expenses	**(13,009,757)**	**(62,926)**	**(37,378)**	**(130,355,416)**	**(502,882,291)**	**(563,277,634)**	**(1,209,625,402)**
Interest income	**40,704,963**	**38,788**	**–**	**760,585**	**530,204**	**–**	**42,034,540**
Finance charges	**–**	**–**	**–**	**–**	**(4,996,708)**	**–**	**(4,996,708)**
Dividend income	**27,496,623**	**–**	**–**	**–**	**4,273,890**	**–**	**31,770,513**
Equity in net earnings of an associate	**–**	**–**	**–**	**–**	**–**	**75,525,743**	**75,525,743**
Depreciation and amortization	**–**	**–**	**–**	**(341,660)**	**(64,960,311)**	**(563,277,634)**	**(628,579,605)**
Provision for income tax	**600,723**	**–**	**–**	**115,197,543**	**68,965,231**	**–**	**184,763,497**
Net income for the year	**640,940,787**	**(24,138)**	**(37,378)**	**511,445,565**	**133,938,171**	**(1,063,108,658)**	**223,154,349**
Other Information							
Investments and AFS financial assets	**292,945,362**	**–**	**–**	**–**	**706,367,720**	**(186,022,499)**	**813,290,583**
Segment assets	**15,608,466,624**	**856,011**	**30,820,792**	**317,468,350**	**1,515,226,053**	**(1,844,130,610)**	**15,628,707,220**
Segment liabilities	**167,279,987**	**260,425,647**	**1,068,988**	**297,749,933**	**462,639,425**	**(636,424,102)**	**552,739,878**
Consolidated total assets	**15,901,411,986**	**856,011**	**30,820,792**	**317,468,350**	**2,221,593,773**	**(2,030,153,109)**	**16,441,997,803**
Consolidated total liabilities	**167,279,987**	**260,425,647**	**1,068,988**	**297,749,933**	**462,639,425**	**(636,424,102)**	**552,739,878**
Capital expenditure	**–**	**–**	**–**	**65,480**	**223,344,454**	**–**	**223,409,934**
Goodwill	**–**	**–**	**–**	**–**	**1,828,577,952**	**–**	**1,828,577,952**

	2014					
	Investment Holding	Real Estate	Public Amusement and Recreation	Gaming Business	Eliminations/ Adjustments	Consolidated
Earnings Information						
Revenue – external	₱–	₱–	₱–	₱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	(385,689,441)	(5,068,451)	(37,769)	(29,571,846)	(48,624,286))	(468,991,793)
Depreciation and amortization	–	–	–	(203,368)	(48,624,286)	(48,827,654)
Provision for income tax	–	–	–	5,117,366	–	5,117,366
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 gaming business segment amounting to ₱756.2 million and revenue from online gaming business segment amounting to ₱699.3 million in 2015 are solely collectible from its external customers, Melco and PCSO, respectively.

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

	2015	2014	2013
Net Profit for the Year			
Total profit for reportable segments	**₱1,286,263,007**	₱1,448,759,461	(₱8,734,667)
Elimination for intercompany profits	**(1,063,108,658)**	(109,814,477)	–
Consolidated net profit	**₱223,154,349**	₱1,338,944,984	(₱8,734,667)
Assets			
Total assets for reportable segments	**₱17,472,837,830**	₱3,035,904,146	₱488,999,719
Investments and advances	**999,313,082**	13,263,566,561	1,767,533,930
Elimination for intercompany advances and investments	**(2,030,153,109)**	(426,609,935)	(188,874,279)
Consolidated assets	**₱16,441,997,803**	₱15,872,860,772	₱2,067,659,370

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.

The BOD (Chief Operating Decision Maker) 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.

33. 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 US$100.0 million to guarantee the completion of the project; and (iii) issuance of surety bond of US$100.0 million to guarantee the payment to PAGCOR of all fees payable under the license granted.

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. Gaming revenue share in 2015 and 2014 amounted to ₱756.2 million and ₱38.8 million, respectively (see Note 23).

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 ₱76.0 million and ₱7.1 million in 2015 and 2014, respectively, presented as part of "Service fees" account under cost of services expenses in the consolidated statements of income (see Note 24).

Equipment Lease Agreement (ELA) between POSC and PCSO

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

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

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

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

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

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

Instant Scratch Tickets. On March 25, 2009, POSC entered into a non-exclusive Memorandum of Agreement (MOA) with PCSO for the printing, distribution and sale of scratch tickets effective December 1, 2009. The share of PCSO is guaranteed for every 500 million tickets sold for a period of seven years from the date of the MOA's effectivity.

The MOA requires a cash bond to be deposited in an interest-bearing bank account designated by PCSO to guarantee the payment of all prizes for each series of tickets distributed, subject to review by PCSO, which was paid in January 2010, for a period of seven years from the date of initial launch of the instant tickets and shall be maintained co-terminus with this MOA. The ₱20.0 million cash bond is recognized under "Other noncurrent assets" account in the consolidated statements of financial position.

On March 31, 2015 the POSC entered into an Outsourcing Memorandum of Agreement (OMOA) with Powerball Gaming and Entertainment Corporation (PGEC) for the authorization of PGEC as the exclusive marketing, distribution, selling and collecting agent of POSC throughout the Philippines. The agreement took effect on April 1, 2015 and shall remain effective as long as the MOA with PCSO or any extension thereof shall be effective.

PGEC agreed to assume POSC's commitment to PCSO to solely shoulder the project cost for the Instant Scratch Ticket program, which consists of the costs of production, distribution, warehousing, printing, handling, software and hardware maintenance, advertising, marketing, selling and other related expenses necessary to totally dispose of all instant tickets. PGEC is entitled to all the revenues, sums and proceeds from the Instant Scratch Tickets beginning April 1, 2015, and shall be obligated to shoulder the pay-outs for all winnings from said tickets sold beginning April 1, 2015. In consideration for the OMOA, PGEC agreed to pay the POSC a guaranteed fixed monthly fee of ₱4 million starting April 2015. This fee is included as part of "Commission and instant scratch tickets" under "Revenues" in the consolidated statements of income.

<u>TGTI Equipment Rental</u>

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

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

34. Contingency

The Parent Company is a party to a civil case filed by Metroplex before the Court of Appeals (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 14). The CA sustained the ruling of the SEC, thus Metroplex filed a petition for review with the Supreme Court. As at February 23, 2016, the Supreme Court has yet to resolve this petition.

However, as discussed in Note 14, 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.

35. Events after the Reporting Period

On February 23, 2016, the Parent Company's BOD approved the declaration of cash dividends of ₱0.0215 per share amounting to approximately ₱680.0 million to shareholders of record as at March 10, 2016. Payments will be made on March 23, 2016.

36. Supplemental Disclosure of Cash Flow Information

The following are the noncash activities in 2015:

a. Application of notes receivable principal amount of ₱1,000.0 million as partial payment of PLC on its purchase of POSC shares from Belle.
b. Net assets acquired from step acquisition of POSC (see Note 18).

Noncash activity in 2013 includes the transfer of developed lots from Belle on account amounting to ₱65.5 million (see Note 28).

The Company has no significant noncash activity in 2014.

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Premium Leisure Corp. (formerly Sinophil Corporation) and Subsidiaries as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, included in this Form 17-A, and have issued our report thereon dated February 23, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
SEC Accreditation No. 0923-AR-1 (Group A),
March 25, 2013, valid until March 24, 2016
Tax Identification No. 153-978-243
BIR Accreditation No. 08-001998-78-2015,
June 26, 2015, valid until June 25, 2018
PTR No. 5321613, January 4, 2016, Makati City

February 23, 2016

PREMIUM LEISURE CORP. AND SUBSIDIARIES
Index to the Consolidated Financial Statements and Supplementary Schedules
December 31, 2015

SCHEDULE I

PREMIUM LEISURE CORP.
Reconciliation of Retained Earnings
Available for Dividend Declaration
As at December 31, 2015

Unappropriated retained earnings, as adjusted to available for dividend distribution, at December 31, 2014	₱739,694,826
Net income during the year closed to retained earnings	640,940,787
Less: Dividend declarations during the year	695,800,820
Unappropriated retained earnings as at December 31, 2015 available for dividend declaration	₱684,834,793

PREMIUM LEISURE CORP. AND SUBSIDIARIES
List of Philippine Financial Reporting Standards (PFRSs) and Interpretations Effective as at December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendments to PFRS 5: Changes in Methods of Disposals*	Not Early Adopted		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Disclosures – Servicing Contracts*	Not Early Adopted		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*	Not Early Adopted		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments *	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not Early Adopted		
	Amendments to PFRS 9: Hedge accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*	Not Early Adopted		
	Amendments to PFRS 9 (2014 version)*	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
	Amendments to PFRS 10 and PAS 28: Investment Entities – Applying the Consolidation Exception*	Not Early Adopted		

SCHEDULE II

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*	Not Early Adopted		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts*	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Disclosure Initiative*	Not Early Adopted		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16 and PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Depreciation / Amortization			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not Early Adopted		
	Amendment to PAS 16 and PAS 41: Bearer Plants*	Not Early Adopted		

SCHEDULE II

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate*	Not Early Adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	Not Early Adopted		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
	Amendments to PFRS 10 and PAS 28: Investment Entities – Applying the Consolidation Exception*	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'*	Not Early Adopted		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Depreciation / Amortization	✓		
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not Early Adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓

SCHEDULE II

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 16 and PAS 41: Bearer Plants*	Not Early Adopted		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate*	Not Early Adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓

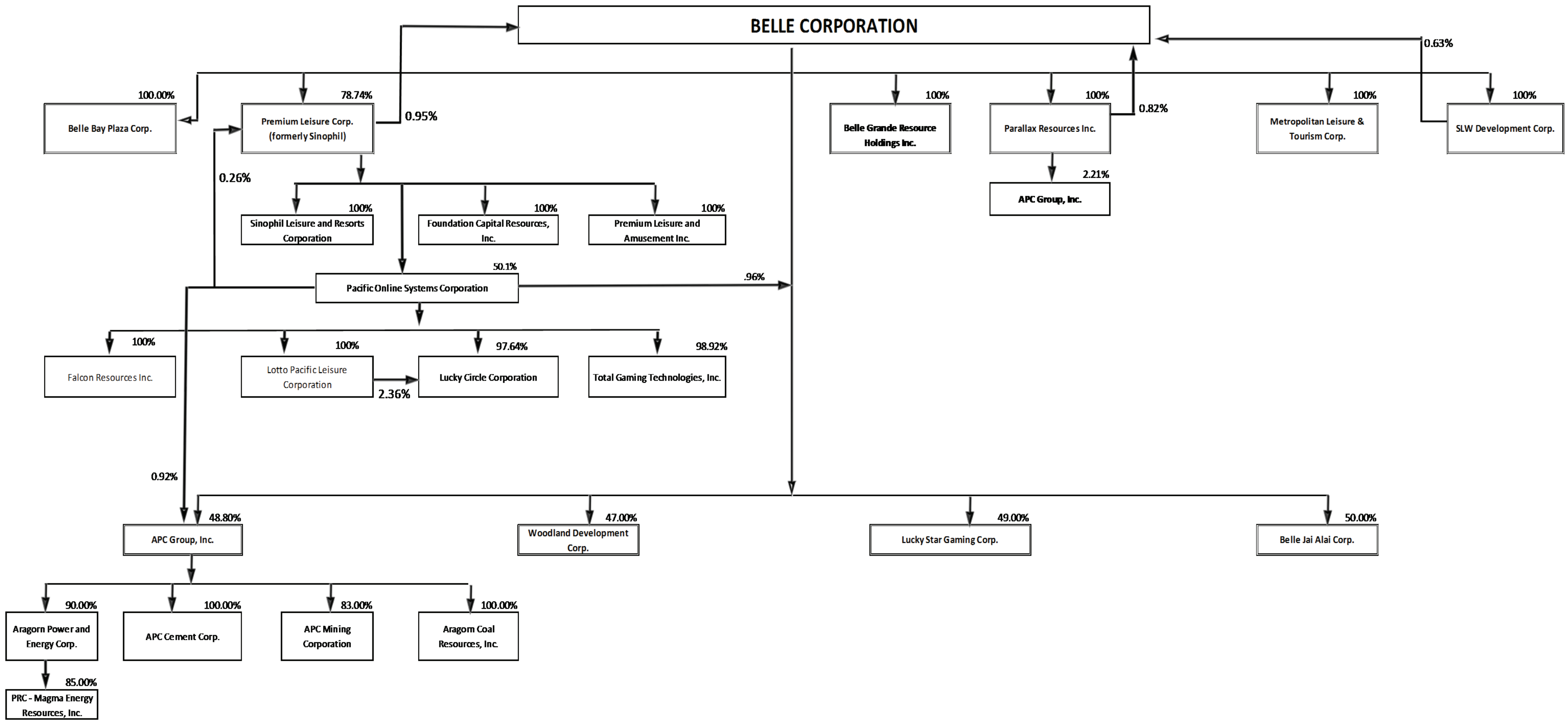
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as at December 31, 2015**		**Adopted**	**Not Adopted**	**Not Applicable**
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance – No Specific Relation to Operating Activities			✓
SIC-12	Consolidation – Special Purpose Entities			✓
	Amendment to SIC-12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases – Incentives			✓
SIC-25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue – Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets – Web Site Costs			✓

** Standards and interpretations which will become effective subsequent to December 31, 2015.*

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

SCHEDULE III

PREMIUM LEISURE CORP. AND SUBSIDIARIES
Map of the Relationship of the Companies within the Group
December 31, 2015



PREMIUM LEISURE CORP. AND SUBSIDIARIES
Financial Soundness Indicators
December 31, 2015

Ratios	Formula	2015	2014
Current Ratio	Current assets / Current liabilities	**7.14%**	36.16%
Asset-to-equity ratio	Total assets / Total stockholders' equity	**1.03**	1.01
Return on asset	Net income / Ave. Total assets	**1.38**	14.93
Return on equity	Net income / Ave. Total stockholders' equity	**1.41**	15.20
Debt-to-equity ratio	Total liabilities / Total stockholders' equity	**Not applicable**	Not applicable
Interest rate coverage ratio	Earnings before interest and tax / Interest expense	**Not applicable**	Not applicable

PREMIUM LEISURE CORP. AND SUBSIDIARIES
Supplementary Schedules Required by Paragraph 6D, Part II Under SRC Rule 68, As Amended (2011) December 31, 2015

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received and accrued
Cash and cash equivalents	N/A	₱1,187,556,503	N/A	₱11,998,383
Investments held for trading:				
APC Group Inc.	58,892,000	26,501,400	26,501,400	–
DFNN, Inc.	4,983,100	26,426,330	26,426,330	–
Leisure & Resorts World Corp.	5,748,792	43,863,283	43,863,283	–
Vantage Equities, Inc.	21,750,375	68,296,177	68,296,177	–
PLDT	N/A	159,500	N/A	–
LRWC Preferred Shares	50,000,000	55,500,000	55,500,000	–
LRWC Warrants	2,500,000	6,000,000	6,000,000	–
		226,746,690		–
Notes receivable	N/A	805,925,000	N/A	28,776,131
Receivables	N/A	498,811,477	N/A	–
Available-for-sale financial assets:				
Belle Corporation	200,685,719	584,562,793	584,562,793	31,770,513
Tagaytay Highlands Int'l Golf Club	2	1,000,000	1,000,000	–
Tagaytay Midlands Golf Club	2	900,000	900,000	–
Asian Petroleum	N/A	11,100	N/A	–
PLDT	N/A	70,000	N/A	–
		586,543,893		31,770,513
		₱3,305,583,563		₱72,545,027

Schedule B. Amounts Receivable from Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts collected	Amounts Written off	Current	Not Current	Balance at end of period
Advances to officers and employees	₱–	₱7,647,312	₱–	₱–	₱7,647,312	₱–	₱7,647,312

Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and Designation of Debtor	Balance of Beginning of Period	Additions	Amounts collected	Allowance for doubtful accounts	Current	Not Current	Balance at end of period
Foundation Capital Resources, Inc. (Subsidiary)	₱520,282,424	₱–	₱253,312,714	₱260,145,827	₱6,823,883	₱–	₱6,823,883
Sinophil Leisure and Resorts Corporation (Subsidiary)	1,011,510	37,378	–	–	1,048,888	–	1,048,888
PremiumLeisure and Amusement, Inc. (Subsidiary)	2,304	500,063,426	250,000,000	–	250,065,730	–	250,065,730
Pacific Online Systems Corporation (Subsidiary)	–	44,856,081	44,856,081	–	–	–	–
Premium Leisure Corp. (Parent)	–	14,762,976	–	–	14,762,976	–	14,762,976

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other Charges additions (deductions)	Ending balance
License	₱10,794,591,525	₱–	₱563,277,634	₱–	₱–	₱10,231,313,891
Goodwill	–	1,828,577,952	–	–	–	1,828,577,952

Schedule E. Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption " Long Term Debt" in related balance sheet"
Obligations under finance lease	₱–	₱25,201,309	₱93,527,275

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

	Balance at beginning of period	Balance at end of period
NONE	–	–

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of Guarantee
NONE	–	–	–	–

Schedule H. Capital Stock

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stock	37,630,000,000	31,627,310,000	–	24,904,904,324	17,408,008	6,704,997,668
Preferred stock	6,000,000,000	–	–	–	–	–