



Bloomberry Resorts Corporation

June 14, 2013

SECURITIES & EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills
Mandaluyong City

Attention: **Atty. Justina F. Callangan**
Director
Corporation Finance Department

Re: SEC Form 20-IS (Information Statement) of Bloomberry Resorts Corporation

Gentlemen:

We submit herewith the attached Amended SEC Form 20-IS (Information Statement) of Bloomberry Resorts Corporation (the "Corporation").

The revisions made are underlined therein in the Agenda, Item 15, and Item 17. The amendments were made in connection with the proposed amendment of the Second Article of the Articles of Incorporation of the Corporation to include in its primary purpose the power to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Corporation has lawful interest

We hope you find the foregoing to be in order.

Very truly yours,

BLOOMBERRY RESORTS CORPORATION

By:

SILVERIO BENNY J. TAN

A 1 9 9 9 0 4 8 6 4

SEC Registration Number

B L O O M B E R R Y R E S O R T S C O R P O R A T I O N

(Company's Full Name)

U N I T 6 0 1 6 T H F L O O R E C O P L A Z A
C H I N O R O C E S A V E N U E E X T . M A K A T I
C I T Y

(Business Address: No. Street City/Town/Province)

LEO VENEZUELA

(Contact Person)

245-2185

(Company Telephone Number)

Amended
Definitive

1 2 3 1

Month Day
(Fiscal Year)

S E C 20 IS

(Form Type)

any day in June

Month Day
(Annual Meeting)

N/A

(Secondary License Type, If Applicable)

SEC-CFD

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings

44
(as of 31 March 2013)

Total No. of Stockholders

N/A

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

**INFORMATION STATEMENT PURSUANT TO
SECTION 20 OF THE SECURITIES REGULATION CODE**

- | Title of Each Class | Number of Shares of Stock Outstanding
as of 31 March 2013 |
|---|---|
| Unclassified Shares, P1.00 par value | 10,589,800,556 |

- Name of Stock Exchange: **Philippine Stock Exchange**
Class of Securities Listed: **Unclassified Shares**

**BLOOM MANAGEMENT IS NOT SOLICITING PROXIES FOR
THIS ANNUAL STOCKHOLDERS' MEETING.
*PLEASE DO NOT SEND BLOOM MANAGEMENT YOUR PROXY.***



Bloomberry Resorts Corporation

(formerly Active Alliance, Inc.)

BLOOMBERRY RESORTS CORPORATION 2013 ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Stockholders' Meeting of Bloomberry Resorts Corporation will be held at the Ballroom of Solaire Manila Resorts and Casino, Asean Blvd., Entertainment City, Barangay Tambo, Paranaque City on Monday, June 24, 2013 at 10:00 a.m., with the following agenda:

A G E N D A

1. Call to order
2. Determination of existence of quorum
3. Report of the Chairman and CEO
4. Approval of the Report of the Chairman and of the Audited Financial Statements
5. Election of the members of the Board of Directors
6. Appointment of the External Auditor
7. Other Matters
 - a. Amendment of the Second Article of the Articles of Incorporation of the Corporation to include in its primary purpose the power to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Corporation has lawful interest.

The Board of Directors fixed May 28, 2013 as the record date for the purpose of determining Stockholders entitled to notice and to vote at the said meeting.

Registration starts at 9:00 a.m. Please bring your identification documents (e.g. SSS, driver's license, passport) to facilitate registration.

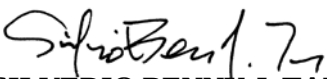
Should you be unable to attend the meeting, but wish to be represented, please send us a Proxy.

For Stockholders whose shareholdings are lodged with the Philippine Central Depository, please secure a certification from your respective brokers and send it to us on or before June 8, 2013.

Proxy validation will be held on June 14, 2013 at Unit 601, 6th Floor, Ecoplaza Building, Chino Roces Avenue Ext., 2222 Makati City, Philippines.

Makati City, June 14, 2013.

For the Board of Directors:


SILVERIO BENNY J. TAN
Corporate Secretary

PART I. A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

The Annual Stockholders' Meeting of Bloomerry Resorts Corporation (the "Company" or "BLOOM") will be held on June 24, 2012 at the Ballroom of Solaire Manila Resorts and Casino, Asean Blvd., Entertainment City, Barangay Tambo, Paranaque City at 10:00 a.m.

The address of the principal office of BLOOM is Unit 601, 6th Floor Ecoplaza Building Chino Roces Avenue Ext., 2222 Makati City, Philippines. This Information Statement will be mailed to Stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting on or about May 31, 2013.

Item 2. Dissenters' Right of Appraisal

The matters to be acted upon at the Annual Stockholders' Meeting are not matters with respect to which a dissenting Stockholder may exercise his appraisal right under Section 81 of the Corporation Code.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

Other than election of Directors, there are no substantial interest, by security holdings or otherwise, of BLOOM, any Director or Officer thereof, or associate of any of the foregoing persons in any matter to be acted upon at the Annual Stockholders' Meeting.

None of the Directors of BLOOM has informed BLOOM in writing that he intends to oppose any action to be taken by BLOOM at this Annual Stockholders' Meeting.

Part I. B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of May 15, 2013, there are 10,589,800,556 unclassified shares of BLOOM issued and outstanding. Only Stockholders of record at the close of business on May 28, 2013 are entitled to notice and to vote at the Annual Stockholders' Meeting. The stockholders will vote on matters scheduled to be taken up at the Annual Meeting with each share being entitled to cast one (1) vote.

For the election of Directors, Stockholders entitled to vote may vote such number of shares for as many persons as there are Directors to be elected, or may cumulate said shares and give one candidate as many votes as the number of Directors to be elected multiplied by the number of their shares shall equal or may distribute them on the same principle among as many candidates as they shall see fit.

Security Ownership of Certain Beneficial Owners and Management

As of May 15, 2013, the Company does not know of anyone who beneficially owns in excess of 5% of the Company's stock except as set forth in the table below:

Security Ownership of Certain Record and Beneficial Owners

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
Unclassified Shares	Prime Metroline Holdings, Inc. 18/F Liberty Center, 104 H.V. Dela Costa St., Salcedo Village, Makati City	Enrique K. Razon, Jr. Controlling Shareholder	Filipino	6,407,472,444 ¹	60.51%
Unclassified Shares	Quasar Holdings, Inc. 18/F Liberty Center, 104 H.V. Dela Costa St., Salcedo Village, Makati City	Enrique K. Razon, Jr. Controlling Shareholder	Filipino	921,184,056 ¹	8.80%
Unclassified Shares	Global Gaming Philippines LLC 499 Park Avenue, 2 nd Floor, New York, NY management services provider of Sureste and BRHI	Global Gaming Philippines LLC	American	921,184,056	8.80%
Unclassified Shares	PCD Nominee Corporation (Non-Filipino) Makati Stock Exchange Bldg., Ayala Avenue, Makati City	Various parties	Foreign	2,502,716,505	23.63%

¹ Enrique K. Razon Jr. is the controlling stockholder of Prime Metroline Holdings, Inc. Quasar Holdings, Inc. and Falcon Investco Holdings, Inc. Enrique K. Razon, Jr. directly and indirectly owns 7,584,889,332 shares or 71.62% some of which are lodged with the PCD Nominee Corporation.

Security Ownership of Management as of May 15, 2013

Name	Citizenship	Number of Shares	Percentage of Ownership
Enrique K. Razon, Jr. ¹	Filipino	7,584,889,332	71.62%
Jose Eduardo J. Alarilla	Filipino	100	0.00%
Christian R. Gonzalez	Filipino	11,855,633	0.11%
Estela Tuason-Occea	Filipino	100	0.00%
Donato C. Almeda	Filipino	100	0.00%
Carlos C. Ejercito	Filipino	100	0.00%
Jon Ramon Aboitiz	Filipino	13,510,632	0.13%
Xing Yu Chen	American	115,000	0.00%
Dennis Andreaci	American	200,000	0.00%
Silverio Benny J. Tan	Filipino	1,980,719	0.00%

¹ Enrique K. Razon, Jr. directly owns 100 shares and indirectly owns: through Prime Metroline Holdings, Inc., 6,407,472,444 (60.51%) shares, through Falcon Investco Holdings, Inc., 225,000,000 (2.12%) shares; and through Quasar Holdings, Inc., 921,184,056 (8.70%) shares.

Voting Trust Holders of 5% or More

None

Change in Control

As of December 31, 2011, the Company was a majority-owned subsidiary of Wespac Holdings Incorporated (“WHI”), a Philippine corporation. On January 26, 2012, Prime Metroline Transit Corporation (now Prime Metroline Holdings, Inc. or “PMHI”) acquired 60,000,000 shares of BLOOM, constituting 75% of the outstanding capital stock, from WHI and other stockholders through a cross sale transaction in the Philippine Stock Exchange (“PSE”). As of March 31, 2013 PMHI directly owns 6,407,472,444 (60.51%) shares of BLOOM and indirectly owns 921,184,056 (8.70%) shares of BLOOM through Quasar Holdings, Inc.

Certain Relationships and Related Transactions

There were no related party transactions in the year 2012.

On February 6, 2012, Prime Metroline Transit Corporation sold 100% of its ownership interest in Sureste Properties, Inc. (“Sureste”), to BLOOM for P5.8 billion. As of February 29, 2012, BLOOM’s legal subsidiaries include Sureste and its wholly-owned subsidiary, Bloomberry Resorts and Hotels, Inc. (“BRHI”, formerly Bloomberry Investments Holdings, Inc.).

On May 2, 2012, BLOOM conducted an equity fund raising exercise broadly implemented as follows:

The first part of the Transaction (the “Offer”), consisted of the offer and sale of shares of stock of BLOOM (the “Shares”) by PMHI of 1,179,963,700 of its existing shares in BLOOM, with an over-allotment option (the “Over-Allotment Option”) of up to 117,996,300 Shares (the “Offer Shares”): (a) primarily offshore to investors outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and within the United States to qualified institutional buyers as defined in, and in reliance on, Rule 144A under the Securities Act; and (b) to a limited extent, domestically to (i) persons who are “qualified buyers” pursuant to Section 10.1(l) of the Philippine Securities Regulation Code (“SRC”); and (ii) not more than 19 persons who are not “qualified buyers” pursuant to Section 10.1(k) of the SRC, at the offer price of Php7.50 per share, in the manner and under such terms and conditions provided in a placing agreement dated May 1, 2012 (“Placing Agreement”) between BLOOM, PMHI and CLSA Limited and UBS AG (together with CLSA Limited the “Joint Lead Managers”). The Offer Price was determined through a book-building process following discussions between BLOOM, PMHI and the Joint Lead Managers after an international roadshow. CLSA Limited as stabilizing agent obtained approval of the Securities and Exchange Commission (“SEC”) on April 30, 2012 to undertake stabilization actions for 30 days. The Offer Shares were crossed through the Philippine Stock Exchange (“PSE”) on May 2, 2012 upon obtaining approval of the application for a block sale from PSE. Settlement for the Offer Shares occurred on May 7, 2012.

The second part of the Transaction (the “Subscription”) which happened concurrently upon execution of the Offer, consisted of the subscription by PMHI, and the issuance by BLOOM to PMHI, of new Shares in the same number and at the same price as the shares sold in the Offer, but proceeds will be less the amount for fees and expenses relating to the Offer and the Subscription that BLOOM has agreed to be liable for (the “Subscription”), in the manner and under such terms and conditions provided in a subscription agreement dated May 1, 2012 (“Subscription Agreement”) between BLOOM and PMHI.

Item 5. Directors and Executive Officers

The following are information on the business experience of the members of the Board of Directors (the Board) and Executive Officers of BLOOM for the last five (5) years.

The members of the Board of Directors and executive officers of BLOOM as of March 31, 2013 are:

Office	Name	Citizenship	Age
Chairman of the Board and President	Enrique K. Razon Jr.	Filipino	53
Vice Chairman	Jose Eduardo J. Alarilla	Filipino	62
Director	Christian R. Gonzalez	Filipino	38
Director and Treasurer	Estela Tuason-Occea	Filipino	43
Director	Donato C. Almeda	Filipino	58
Independent Director	Carlos C. Ejercito	Filipino	67
Independent Director	Jon Ramon Aboitiz	Filipino	64
Chief Operating Officer	Michael French	American	57
Senior Vice President and Chief Financial Officer	Xingyu (Ed) Chen	American	54
Senior Vice President of Gaming	Dennis Andreaci	American	56
Vice President of Information Technology	Gregory Dauenhauer	American	55
Corporate Secretary	Silverio Benny J. Tan	Filipino	56
Compliance Officer	Christine Base	Filipino	42

Below are summaries of the business experience and credentials of the Directors and the Company's key executive officers:

Enrique K. Razon, Jr. – Chairman of the Board and President

Mr. Razon is the Chairman of the Board and President of the Company and is a member of its Nomination Committee. He is also the Chairman of the Board of Directors of Bloomberry Resorts and Hotels, Inc. and is President of Sureste Properties Inc. He is the Chairman and President of International Container Terminal Services, Inc. (ICTSI), and is the Chairman and/or President or director of ICTSI subsidiaries and affiliates including: ICTSI Ltd., International Container Terminal Holdings, Inc., ICTSI Warehousing, Inc., Cebu International Container Terminal, Inc., Baltic Container Terminal Ltd., Madagascar International Container Terminal Services Ltd., ICTSI Hong Kong Ltd., Contecon Guayaquil SA, Yantai Rising Dragon International Container Terminal Ltd., ICTSI Capital B.V., ICTSI Georgia Corporation, ICTSI Brazil Limited, ICTSI Poland Limited, Pentland International Holdings Ltd., Australian International Container Terminal Ltd., Tecon Suape, S.A. and Tecplata S.A., and ICTSI Foundation. Mr. Razon is the Chairman and President of Prime Metroline Holdings, Inc., Chairman of the Board of Monte Oro Resources & Energy, Inc., an independent director of CLSA Exchange Capital Inc., and a director of other companies. He is a Member of the American Management Association, Management Association of the Philippines, and World Economic Forum.

Jose Eduardo J. Alarilla – Vice Chairman

Mr. Alarilla is the Vice Chairman of the Company and is a member of its Nomination Committee and Compensation Committee. He is also the President of Bloomberry Resorts and Hotels, Inc., Lakeland Village Holdings, Inc., Devoncourt Estates Inc., Eiffle House Inc. and Alpha Allied Holdings Ltd. He is the President and CEO of Mega Subic Terminal Services, Inc., Chairman of Mega Equipment International Corp., and President of Manila Holdings and Management, Inc. Mr. Alarilla is a director of Monte Oro Resources & Energy Inc. and International Cleanenvironment Systems Inc. He holds a Bachelor of Science in Mechanical Engineering from De La Salle University and a Master in Business Management from the Asian Institute of Management.

Christian R. Gonzalez – Director

Mr. Gonzalez is a director of the Company and is a member of its Audit Committee and Nomination Committee. He is also a Director of Bloomberry Resorts and Hotels, Inc., Sureste Properties Inc. and Prime Metroline Holdings, Inc.. He is the Vice President and General Manager of Manila International Container Terminal (MICT) in International Container Terminal Services Inc. (ICTSI). Prior to this, he was the Director General and Chief Operating Officer of Madagascar International Container Terminal Services Ltd. (MICTSL). He is a Trustee and Auditor of the ICTSI Foundation, Inc. Mr. Gonzalez is a graduate of Instituto de Estudios Superiores de la Empresa (IESE) Business School, the graduate school of management of the University of Navarra, in Barcelona, Spain, where he received his Bilingual Masters in Business Administration. He is also a graduate of Business Administration from Pepperdine University in California.

Estela Tuason-Occeña – Director and Treasurer

Ms. Occena is a director and treasurer of the Company and is a member of its Audit Committee and Compensation Committee. She is also a Director, Treasurer and an executive officer of Bloomberry Resorts and Hotels, Inc. and Prime Metroline Holdings, Inc.. She is an Executive Officer in ICTSI, Chief Financial Officer of Monte Oro Resources & Energy, Inc. and Subsidiaries, Director and Chief Financial Officer of International Cleanenvironment Systems, Inc., Treasurer of Sureste Properties Inc., Sureste Realty Corporation, Lakeland Village Holdings Inc., Devoncourt Estates Inc., Achillion Holdings, Inc. and Razon Industries, Inc. Ms. Occena has an MBA from De La Salle University and graduated with Distinction from St. Scholastica's College with a Bachelors Degree in Commerce.

Donato C. Almeda—Director

Mr. Almeda is Director of Bloomberry Resorts and Hotels, Inc. Mr. Almeda served as President and CEO of Waterfront Philippines Inc. He also served as: President of Waterfront Cebu City Hotel; President of Waterfront Mactan Hotel; President of Fort Ilocandia Hotel; Managing Director of Waterfront Promotions Ltd. (a gaming company); and President of Insular Hotel in Davao. He earned his Engineering Degree from De La Salle University.

Carlos C. Ejercito—Independent Director

Mr. Ejercito is an independent director of the Company and is a member of its Compensation Committee. He is also an independent director of Monte Oro Resources & Energy Inc. He is the Chairman and President of Northern Access Mining Corporation, Forum Cebu Coal Corporation, and Morganhouse Holdings Inc. He was Chairman of the Board of Directors of United Coconut Planters Bank, and was the former CEO of United Laboratories Inc. and several of its subsidiaries. He was a director of Ayala Greenfield Development Corporation. He was a former director in National Grid Corporation of the Philippines, Greenfield Development Corporation, Fort Bonifacio Development Corporation and Bonifacio Land Corporation. Mr. Ejercito is a governor of the Management Association of the Philippines, and is a member of the Philippine Chamber of Commerce. Mr. Ejercito has a Bachelors degree in Business Administration, cum laude, from the University of the East, and is an MBA candidate from Ateneo Graduate School of Business. He attended the Program for Management Development of Harvard Business School.

Jon Ramon Aboitiz—Independent Director

Mr. Aboitiz is an independent director of the Company and is a member of its Audit Committee and Nomination Committee. He is also an independent director of ICTSI. Mr. Aboitiz is the Chairman of Aboitiz & Co., Inc and Aboitiz Equity Ventures, Inc., and Vice Chairman of Aboitiz Power. He began his career with the Aboitiz Group in 1970, after graduating from Santa Clara University in California with a B.S. in Commerce, majoring in Management. After serving as a manager with Aboitiz Shipping Corporation, he became its President in 1976 and in served as President and CEO of the Aboitiz Group from 1991 until 2008. Presently, he holds various positions in the Aboitiz Group including President of

the Aboitiz Foundation, Vice Chairman of Unionbank of the Philippines and Chairman of the following committees of Unionbank: Executive Committee; Risk Management Committee; Compensation and Remuneration Committee; Nominations Committee; and Corporate Governance Committee. He is also a Trustee of the Philippine Business for Social Progress, Trustee of Santa Clara University and a member of the Board of Advisors of the Coca-Cola Export Corporation (Philippines).

Michael French—Chief Operating Officer

Mr. French was formerly the Senior Vice President and General Manager of Altira Macau Casino Hotel Resort, and formerly Senior Vice President of the City of Dreams Resort in Macau from 2007 to September 2010. Mr. French also served as Chief Operating Officer of the Inn of the Mountain Gods Resort & Casino from 2002 to 2005, Senior Vice President for Operations of the Venetian Resort Hotel and Casino in Las Vegas from 1998 to 2002. Mr. French also served as the Senior Vice President for Hotel Operations of Caesars Palace Las Vegas from 1995 to 1998.

Xingyu (Ed) Chen—Senior Vice President and Chief Financial Officer

Mr. Chen was the Financial Controller of Wynn Resorts (Macau) from 2003 to the end of 2011. Before that, he was the Controller of Isle of Capri, Inc. in Missouri, USA, and the manager for Planning and Analysis for Harrah's Entertainment, Inc. in Indiana, USA. Mr. Chen also has experience in various academic fields and industries as a research associate and financial analyst. Mr. Chen earned a Bachelor of Science degree from Beijing Normal University in China; an MBA from the Kelley School of Business of Indiana University in the United States and a PhD from University of Kansas in the United States. Mr. Chen received his certificates for Certificated Public Accountant (CPA, State of Missouri, USA, 2003), Certified Management Accountant (CMA, USA, 2003), and Certified Financial Manager (CFM, USA, 2003).

Dennis Andreaci—Senior Vice President of Gaming

Mr. Andreaci was formerly the Senior Vice President for Gaming Operations of Galaxy Macau Resort. Prior to joining Galaxy Entertainment, Mr. Andreaci was the Vice President for Table Games of Marina Bay Sands in Singapore from October 2008 to October 2009, a position he also held with the Venetian Macao Resort from December 2002 to October 2008. He also served as Casino Manager and Vice President of Casino Operations of the Sands Macao from 2000 to 2002. In the Philippines, Mr. Andreaci previously served as Casino Manager of the Subic Bay Resort and casino from January 1993 to June 1994. Mr. Andreaci has also served in various capacities for hotel, casino, gaming and cruise ship companies in Atlantic City, New Jersey, USA, Myanmar, Cambodia, Lao PDR, and Malaysia.

Gregory Dauenhauer—Vice President of Information Technology

Mr. Dauenhauer from 2008 was the Director of Information Technology for Marina Bay Sands, Pte Ltd in Singapore. Mr. Dauenhauer also served as the Director for Information Systems of the Broadmoor Hotel in Colorado Springs, Colorado in the United States from 2002 to January 2008, and as IT Director of Operations for Station Casinos Inc. in Las Vegas from 2000 to 2002. Mr. Dauenhauer was the Information Technologies Systems Manager for the Venetian Resort Hotel and Casino in Las Vegas from 1998 to 2000, as well as Systems Manager for Circus Circus Enterprises, Inc. from February 1997 to August 1998. Mr. Dauenhauer held various information systems positions for the Las Vegas Hilton and Flamingo Hilton in Las Vegas from 1978 to 1997. Mr. Dauenhauer received his Bachelor of Arts and Letters degree and studies for Masters of Arts (Economics) from the University of Nevada at Las Vegas.

Silverio Benny J. Tan—Corporate Secretary

Atty. Tan is the managing partner in the law firm of Picazo Buyco Tan Fider & Santos. He is a director and corporate secretary of Prime Metroline Holdings, Inc., Bravo International Port Holdings Inc., Alpha International Port Holdings Inc., Eiffle House Inc., Cyland Corp., OSA Industries Philippines Inc. and Negros Perfect Circles Food Corp. He is a director of the following companies: Celestial Corporation,

Skywide Assets Ltd., Monte Oro Minerals (SL) Ltd., and Dressline Holdings Inc. and its subsidiaries and affiliates. He is the corporate secretary of several companies including: Mapfre Insular Insurance Corporation, Cebu International Container Terminal Inc., Sureste Properties Inc., Bloomberry Resorts and Hotels Inc., Lakeland Village Holdings Inc., and Devoncourt Estates Inc. He is the assistant corporate secretary of International Container Terminal Services Inc., ICTSI Ltd., and Monte Oro Resources & Energy Inc. Atty. Tan holds a Bachelor of Laws, cum laude, from the University of the Philippines College of Law and a Bachelor of Arts Major in Political Science, cum laude, from the University of the Philippines College Iloilo. Atty. Tan placed third in the 1982 Philippine Bar exams.

Christine Base—Compliance Officer

Ms. Base is currently a Securities, Corporate and Tax Lawyer at Pacis and Reyes, Attorneys and Managing Director of Legis Forum, Inc. She is a Director and the Corporate Secretary of Anchor Land Holdings, Inc. and is the Corporate Secretary of Asiasec Equities, Inc., Araneta Properties, Inc. and several private corporations. She was an Auditor and then Tax Lawyer at SyCip, Gorres, Velayo & Co. She earned her degree of Juris Doctor from Ateneo de Manila University School of Law. She passed the Bar Examination in 1997. She also holds a Bachelor of Science degree in Commerce, major in Accounting from De La Salle University. Atty. Base is also a Certified Public Accountant.

Significant Employees

No person who is not an executive officer of BLOOM is expected to make a significant contribution to BLOOM.

Family Relationships

Director Christian R. Gonzales is the nephew of Chairman and President, Enrique K. Razon, Jr. There are no other family relationships among the directors and officers listed.

Involvement in Certain Legal Proceedings

BLOOM is not aware of any of legal cases, which occurred during the past five years that are material to an evaluation of the ability or integrity of any of its directors, executive officers or controlling person.

Nominees for Independent Directors/Nomination Committee

In line with established procedures, a formal nomination of an Independent Director is signed by an incumbent Director, and is submitted to the Corporate Secretary. The Corporate Secretary, guided by the By-Laws, Revised Manual on Corporate Governance and the Corporation Code, forwards the same to the Nomination Committee. In accordance with the Revised Manual on Corporate Governance, the Nominations Committee passes upon the qualifications of the nominee; the process includes an examination of the nominee's business background and company affiliations, and ascertains that the nominee does not possess any of the disqualifications to serve as an Independent Director of BLOOM as provided in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations. The Nomination Committee is composed of Enrique K. Razon Jr. as Chairman, and Jose Eduardo J. Alarilla, Christian Gonzalez, and Jon Ramon Aboitiz as members.

Jon Ramon Aboitiz and Carlos C. Ejercito were nominated as Independent Directors of BLOOM by Ms. Estela Tuason-Occaña. Information on the nominees are stated on pages 6 to 9 of this Information Statement.

Directors and Executive Officers

The following have been nominated as Members of the Board of Directors for the ensuing year:

Name	Citizenship	Age
Enrique K. Razon Jr.	Filipino	53
Jose Eduardo J. Alarilla	Filipino	62
Christian R. Gonzalez	Filipino	38
Estela Tuason-Occeña	Filipino	43
Donato C. Almeda	Filipino	58
Carlos C. Ejercito*	Filipino	67
Jon Ramon Aboitiz*	Filipino	64

*As Independent Director

Item 6. Compensation of Directors and Executive Officers

The Group paid compensation in 2012 to the President and executive officers named below, as a group, amounting to ~~P~~46.5 million.

Name	Office
Enrique K. Razon Jr.	Chairman of the Board and President
Jose Eduardo J. Alarilla	Vice Chairman
Christian R. Gonzalez	Director
Estela Tuason-Occeña	Director and Treasurer
Donato C. Almeda	Director
Carlos C. Ejercito	Independent Director
Jon Ramon Aboitiz	Independent Director
Michael French	Chief Operating Officer
Dennis Andreaci	Senior Vice President for Gaming
Xingyu (Ed) Chen	Chief Financial Officer
Renato Gonzales	Vice President for Human Resources (until February 20, 2013)
Gregory Dauenhauer	Vice President for Information Technology
Adrian Ort	General Manager – Hotel
Lorraine Koo	Vice President VIP Premium
Todd Chandler	Vice President Sales and Marketing
Silverio Benny J. Tan	Corporate Secretary
Christine P. Base	Compliance Officer

The following is the breakdown of the aggregate amount of compensation paid to the President and top four (4) executive officers in 2011 and 2012, and estimated to be paid to the President and top four (4) executive officers in 2013 named above (amounts in millions):

	Year	Salary	Bonus	Total
President and Top 4 Executive Officers, as group:	2013 (Estimate)	P 43.2	P 4.3	P 47.5
	2012 (Actual)	27.0	4.2	31.2
Enrique K. Razon, Jr. – <i>Chairman & President</i>	2011 (Actual)	2.4	0.4	2.8
Michael French – <i>Chief Operating Officer</i>				
Xingyu (Ed) Chen – <i>Chief Finance Officer</i>				
Dennis Andreaci – <i>Senior Vice President for Gaming</i>				
Renato Gonzales – <i>Vice President for Human Resources</i> (until February 20, 2013)				

All Other Officers and Directors, as a group unnamed	2013 (Estimate)	₱21.8	₱1.3	₱23.1
	2012 (Actual)	14.4	0.9	15.3
	2011 (Actual)	1.1	0.1	1.2

The members of the Board are not expected to receive any compensation in 2013. There are no material terms of any other arrangements or contracts where any director of the Company was compensated or is to be compensated, directly or indirectly, in 2011, 2012 or in the coming year, for any service provided as a director. The directors do not receive per diems.

Named executives officers are covered by Letters of Appointment with the Company stating therein their respective terms of employment.

There are no existing compensatory plans or arrangements, including payments to be received from the Company by any named executive officer, upon resignation, retirement or any other termination of the named executive officer's employment with the Company and its subsidiaries or from a change-in-control of the Company or a change in the named executive officers' responsibilities following a change-in-control.

The Company's directors and named executive officers do not hold any outstanding warrants or options as of December 31, 2012. No options were previously awarded to any officers and directors of the Company.

Item 7. Independent Public Accountants

On March 19, 2012, the Board of Directors of Bloomberry appointed SGV & Co. as principal accountant to audit its financial statements. SGV & Co. replaced CG&Co.

The reason for this change is that SGV & Co. is the independent auditor for Sureste and BRHI which are the operating subsidiaries of Bloomberry, which will make the consolidation of the financial statements easier.

External Audit Fees and Services

The Group paid its external auditors the following fees for the last three years for professional services rendered:

	For the Year Ended December 31		
<i>In thousands pesos</i>	2010	2011	2012
Audit	₱235.7	₱272.8	₱10,794.0
Tax and others	460.2	886.1	1,016.4x
Total	₱695.9	₱1,158.9	₱11,810.4

Tax fees paid to the auditors are for tax compliance and tax advisory services. In 2012, other fees include the issuance of comfort letter for the Placing and Subscription Transaction in May 2012.

The Audit Committee makes recommendations to the Board concerning the external auditors and pre-approves audit plans, scope and frequency before the conduct of the external audit. The Audit Committee reviews the nature of the non-audit related services rendered by the external auditors and the appropriate fees paid for these services.

Changes in and Disagreements with Accountants of Accounting and Financial Disclosure

There were no changes or disagreements with the Company's external auditors, Sycip Gorres Velayo & Co. (SGV & Co.) on accounting and financial statement disclosures.

On March 19, 2012, the Board of Directors of Bloomberry appointed SGV & Co. as principal accountant to audit its financial statements. SGV & Co. replaced CG&Co.

The reason for this change is that SGV & Co. is the independent auditor for Sureste and BRHI which are the operating subsidiaries of Bloomberry, which will make the consolidation of the financial statements easier.

Item 8. Compensation Plans

Not Applicable

PART I. C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Otherwise for Exchange

Not Applicable

Item 10. Modification or Exchange of Securities

Not Applicable

Item 11. Financial and Other Information

Not Applicable

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

Not Applicable

Item 13. Acquisition or Disposition of Property

Not Applicable

Item 14. Restatement of Accounts

Not Applicable

Part I. D. OTHER MATTERS

Item 15. Action with Respect to Reports

June 13, 2013

Approval of the following matters:

1. Amendment of the Second Article of the Articles of Incorporation of the Corporation to include in its primary purpose the power to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Corporation has lawful interest
2. Amendment of the Agenda for the June 24, 2013 annual stockholders' meeting to include as Other Matters the amendment of the Second Article of the Articles of Incorporation of the Corporation to include in its primary purpose the power to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Corporation has lawful interest.

March 6, 2013

Approval of the December 31, 2012 audited financial statements (consolidated and parent company) of the Corporation and its Manual of Corporate Governance.

December 28, 2012

Approval of the conversion of the Corporation's deposit for future subscription in Sureste Properties Inc (SPI) in the amount of P5,661,910,878 into additional paid-in capital (APIC) in SPI

June 25, 2012

To authorize the signing by the Company or its subsidiary Bloomberry Resorts and Hotels Inc. of a Memorandum of Agreement (MOA) with the Philippine Amusement and Gaming Corporation (PAGCOR), together with the other licensees of PAGCOR in the Bagong Nayong Pilipino Entertainment City, for an infrastructure support facility for the NAIA Expressway Project being proposed by the Department of Public Works and Highways.

The following Executive Officers of BLOOM, were elected, namely:

Chairman of the Board and President	Enrique K. Razon Jr.
Vice Chairman	Jose Eduardo J. Alarilla
Treasurer	Estela Tuason-Occea
Chief Operating Officer	Michael French
Senior Vice President and Chief Financial Officer	Xingyu (Ed) Chen
Senior Vice President of Gaming	Dennis Andreaci
Vice President of Human Resources	Renato Gonzales
Vice President of Information Technology	Gregory Dauenhauer
Corporate Secretary	Silverio Benny J. Tan
Compliance Officer	Christine Base

The Board appointed the following chairmen and members of mandated committees:

Audit Committee

Jon Ramon Aboitiz - Chairman
Christian Gonzalez
Estela Tuason-Occea

Nomination Committee

Enrique K. Razon Jr. - Chairman
Jose Eduardo J. Alarilla
Christian Gonzalez
Jon Ramon Aboitiz

Compensation Committee

Jose Eduardo J. Alarilla - Chairman
Estela Tuason-Occea
Carlos C. Ejercito

Summary of the Minutes of the Annual Stockholders' Meeting on June 25, 2012

The stockholders elected the following Directors:

Enrique K. Razon, Jr.
Jose Eduardo J. Alarilla
Christian R. Gonzalez
Estela Tuason-Occeña
Donato C. Almeda
and
Carlos C. Ejercito
Jon Ramon Aboitiz
as Independent Directors

The Stockholders also approved the following: (a) 2011 Audited Financial Statements; (b) Ratification of acts of the Board of Directors and Officers since the last Annual Stockholders' Meeting; (c) Appointment of External Auditors; (d) Placing and Subscription transaction approved by the board of directors on April 20, 2012 and implemented by the Corporation; (e) Stock Incentive Plan for Directors, Officers, and Employees of the Corporation and its operating subsidiaries

Compliance with Leading Practice on Corporate Governance

The Company, its Board of Directors, officers and employees strive, through good corporate governance, to enhance the value of the Corporation and optimize over time the returns to its shareholders by:

- a. Sound, prudent, and effective management,
- b. Efficient and effective management information system,
- c. Effective risk management,
- d. Reliable financial and operational information,
- e. Cost effective and profitable business operations, and
- f. Compliance with laws, rules, regulations and contracts.

The following are measures that the Company has undertaken or will undertake to fully comply with the adopted leading practices on good governance:

1. **Manual on Corporate Governance**
The Group has approved a new Manual on Corporate Governance which replaced the one approved when the Company was known as Active Alliance Inc. Our current Compliance Officer will continue to coordinate with the Philippine SEC with respect to compliance requirements, monitor compliance with the manual and report any governance-related issues to the Board. The Company commits itself to principles and best practices of governance in the attainment of corporate goals.
2. **Board of Directors**
BLOOM's Board has the expertise, professional experience, and background that allow for a thorough examination and deliberation of the various issues and matters affecting the Group. The Board is responsible for the Company's overall management and direction. The Board will meet regularly on a quarterly basis, or more frequently as required, to review and monitor the Company's project development, future results of operations and financial position. BLOOM's Amended Articles of Incorporation provide that the Board shall consist of seven (7) directors where two (2) members are

Independent Directors: Jon Ramon Aboitiz and Carlos C. Ejercito. Except for Mr. Enrique K. Razon, Jr., and Estela Occeña, all members of the Board are non-executive Directors.

BLOOM's directors are elected at the Annual Stockholders' Meeting. They shall hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

3. **Audit Committee**
The Company's Audit Committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and stockholders of the continuous improvement of its risk management systems, business operations and the proper safeguarding and use of its resources and assets. It provides a general evaluation and assistance in the overall improvement of its risk management, control and governance processes. The Committee is composed of three (3) Board members, including one (1) independent director who serves as the committee chairman. The Committee reports to its Board and is required to meet at least four (4) times a year.
4. **Nomination Committee**
The Board organized the Nomination Committee to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.
5. **Compensation and Remuneration Committee**
A Compensation and Remuneration Committee was organized by the Board to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates.
6. **Executive Officers**
BLOOM's Management Team, will be responsible for the day-to-day management and operations of the casino and hotel. The registered address of the Company's executive officers for the moment is Unit 601, 6/F Ecoplaza Building, Chino Roces Avenue Extension, Makati City, Philippines.
7. **Independent Audit**
Part of the Company's organizational structure is the Audit and Compliance Group (ACG). The establishment of ACG is a positive step towards good corporate governance. Its purpose, authority and responsibilities will be defined in the Audit Charter, consistent with the definition of Internal Auditing, IIA Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. The Audit Charter will be subject to the approval of the President and the Audit Committee. To ensure its independence, the ACG functionally reports to the Audit Committee of the Board.
8. **Management and Reporting Structure**
The Board together with the management will develop the reporting structure based on the approved organizational structure of the hotel and casino operation. The reporting structure, which clearly segregates the different operations and functions,

will define the responsibilities of each department and will incorporate the proper check and balance within the organization.

9. Continuing Improvements for Corporate Governance
BLOOM will continue to improve its corporate governance, systems and processes to enhance adherence to practices of good corporate governance.

Item 16. Matters not Required to be Submitted

Not Applicable

Item 17. Amendment of Charter, Bylaws or Other Documents

Amendment to the Articles of Incorporation

An amendment to Second Article of the Articles of Incorporation of the Corporation will be presented for approval of the stockholders in the Annual Stockholders' Meeting. As amended, the Second Article will read:

SECOND: A. That the primary purpose of this Corporation is to subscribe, acquire, hold, sell, assign, or dispose of shares of stock and other securities of any corporation including those engaged in hotel and/or gaming and entertainment business, without however engaging in dealership in securities or in the stock brokerage business or in the business of an investment company, to the extent permitted by law, and to be involved in the management and operations of such investee companies; and to guarantee the obligations of its subsidiaries or affiliates or any entity in which the Corporation has lawful interest.

The purpose of the amendment is to comply with the requirement of the Securities and Exchange Commission that in order for a corporation to have the power to guaranty the debt of another entity in which it has lawful interest, said power to guaranty must be stated in the primary purpose of the corporation.

Item 18. Other Proposed ActionsApproval of Minutes of the Annual Stockholders' Meeting on June 25, 2012

The Minutes of the Annual Stockholders' Meeting of BLOOM held on June 25, 2012 ("Minutes") will be presented for approval of the Stockholders in the Annual Stockholders' Meeting. Such action on the part of the Stockholders will not constitute approval or disapproval of the matters referred to in said Minutes since Stockholder approval and action on those items had already been obtained in that meeting.

The Minutes and related records are available for inspection by any Stockholder at any reasonable hour during business days. In addition, copies of the Minutes shall be posted at the meeting site, and will be available for review by the Stockholders present in the Annual Stockholders' Meeting.

The affirmative vote of a majority of the votes cast on this matter is necessary for approval of the Minutes.

Approval of the 2012 Audited Financial Statements

The audited financial statements of Company as of and for the year ended December 31, 2012 (when it was still known as "Active Alliance, Incorporated") and the accompanying notes to audited financial statements (referred to as Financial Statements) prepared by the Company and audited by SGV & Co., the independent auditors appointed by the stockholders in 2012, will be submitted for approval of the Stockholders at the Annual Stockholders' Meeting.

The information and representations in the Financial Statements are the responsibility of the Company's previous management. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards, and reflect amounts that are based on best estimates and informed judgment of previous management with an appropriate consideration to materiality.

Management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. Management likewise discloses to the Company's audit committee and to its external auditors: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

SGV & Co. have examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and have expressed their opinion on the fairness of presentation upon completion of such examination in the Report to the Stockholders and Board of Directors of the Company.

The affirmative vote of majority of the votes cast on this proposal will constitute approval of the Financial Statements.

Item 19. Voting Procedures

The Chairman will announce each proposal to the floor, which shall be voted upon separately. In the absence of any objection from the floor, the Chairman shall instruct the Corporate Secretary to enter a unanimous vote of approval. If there is an objection, the Chairman will call for a division of the house. The votes of shareholders present in person or by Proxy shall be counted by hand, and the Chairman will announce the result of the voting, unless voting by ballots is called for. If voting by ballots is decided, ballots will be distributed to Stockholders present in person or by Proxy in the meeting. The ballots will be filled up by Stockholders, and submitted to the Corporate Secretary or his duly authorized representatives. The valid ballots will be counted by the Corporate Secretary or a committee that the Board may organize for the purpose for the votes of the Stockholders. The Chairman will then announce the result after the counting.

The following matters require the following votes:

Subject Matter	Votes Required
Appointment of SGV & Co. as the Company's external auditors	Majority of the votes cast
Approval of Minutes of the Annual Stockholders' Meeting on June 25, 2012	Majority of the votes cast
Approval of the 2012 Audited Financial Statements	Majority of the votes cast
Election of Directors	The top seven (7) nominees with the most number of votes are elected

Undertaking to Provide Annual Report

A copy of the 2012 BLOOM Annual Report on SEC Form 17-A for the fiscal year ended 31 December 2012, as filed with the Securities and Exchange Commission, will be sent to any Stockholder at the address indicated below, without charge upon written request addressed to:

The Corporate Secretary
Bloomerry Resorts Corporation
Unit 601 6th Floor Ecoplaza Building
Chino Roces Avenue Ext.,
2222 Makati City, Philippines

Item 20. Proxies:

Not Applicable

Attached herewith are the following: Annex "A" is the Management Report of the Company; Annex "B" is the audited financial statements of the Company as of December 31, 2012 and Annex C is the unaudited interim financial statements of the Company as of March 31, 2013.

Part IV. SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on June 14, 2013.

For and in behalf of the Board of Directors

By: 
SILVERIO BENNY J. TAN
Corporate Secretary

MANAGEMENT REPORT

Management’s Discussion and Analysis or Plan of Operations

The following discussion and analysis relate to the financial condition and results of operations of Bloomberry and should be read in conjunction with the accompanying audited financial statements and related notes as of and for the year ended December 31, 2012.

OVERVIEW

The Company is a developer of hotels, casinos and integrated tourism resorts in the Philippines through its direct and indirect subsidiaries Sureste and BRHI. On April 8, 2009, BRHI was granted one of four Provisional Licenses to establish integrated resorts and casinos by the PAGCOR within Entertainment City, a special economic zone in Parañaque City being developed into a gaming and entertainment area on approximately 120 hectare site alongside Manila Bay.

Solaire Manila, aimed to be the Philippines' premiere integrated resorts and gaming complex is the first integrated resort in operation in Entertainment City. It opened for commercial operation on 16 March 2013.

Phase 1a of Solaire Manila is currently under construction. Upon completion, Phase 1a will provide additional 200 slot machines, 65 gaming tables, 300-room all-suite boutique hotel tower, additional food and beverage offerings, a retail promenade, a performance theatre, a nightclub and parking facilities with approximately 3,500 parking space.

KEY PERFORMANCE INDICATORS (KPIs)

The following will be the key performance indicators of the Group when it starts commercial operations in 2013:

1. EBITDA—Earnings before interest, taxes, depreciation and amortization as defined in the management service agreement with GGAM. EBITDA is an indicator of the Company’s financial performance.
2. EBITDAM – EBITDA before GGAM management fees.
3. Debt to Equity Ratio (D/E Ratio) - is the ratio of the borrower's total liabilities to total shareholder's equity. D/E Ratio is a measure of the Company’s financial leverage.
4. Debt-Service Coverage Ratio(DSCR) –is computed as the earnings (including non-cash and other income) before income tax, interest, expenses, depreciation and amortization (based on the Company's financial statements), including cash in the debt service and debt service reserve accounts established pursuant to the BDO Loan Facilities as of the date of the most recent financial statements of the Company, divided by the sum of current maturing long-term debt and interest payments on short-term or long-term debt.DSCR is an indicator of the Company’s amount of cash flow available to meet annual interest and principal payments of outstanding debt.
5. Return on Asset (ROA) – An indicator of how profitable the Company relative to its total assets. ROA provides how efficient management is at using its assets to generate earnings. ROA is calculated by dividing the Company's annual earnings by its total assets and is displayed as a percentage.

These performance indicators are not applicable in 2012 and prior years when the Company had no commercial operation.

The following table shows a summary of the results of operations for the year ended December 31, 2012 and 2011, as derived from the accompanying Audited Financial Statements. Solaire Manila is scheduled to open in March 2013 and as of December 31, 2012 the Company has not started commercial operation.

	For the Year Ended December 31			% Change	% Change
<i>In thousands, except % change and per share data</i>	2010	2011	2012	2010 vs 2011	2011 vs 2012
Revenues	₱1,124,441	₱145,680	₱195,600	(87.0)	34.3
Expenses	262,872	159,529	951,976	(39.3)	496.7
Provision for (Benefit from) Income Tax	32	(16,508)	(68,438)	(51,831.1)	314.6
Net Income (Loss)	861,538	2,660	(687,939)	(99.7)	(25,965.2)
Basic and Diluted Earnings (Loss) Per Share	1,149	0.001	(0.069)	(100.0)	(7,000.0)

RESULTS OF OPERATIONS

OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2012 COMPARED WITH 2011

REVENUES

Revenues consist of: (1) Interest income; (2) Gain on sale of investment in an associate; and (3) Other income. The table below illustrates the consolidated revenues for the year ended December 31, 2012 and 2011:

	For the Year Ended December 31		% Change
<i>In thousands, except % change data</i>	2011	2012	2011 vs 2012
Interest income	₱69,006	₱195,600	183.5
Gain in sale of investment in an associate	72,330	-	(100.0)
Others	4,345	-	(100.0)
Total Revenues	₱145,680	₱195,600	34.3

For 2012, interest income accounted for 100% of the total consolidated revenues. For 2011, interest income and gain on sale from investment in an associate accounted for 47.4 percent and 49.6 percent, respectively.

Interest Income

Consolidated interest income for 2012 jumped by 183.5 percent to ₱195.6 million in 2012 from ₱69.0 million in 2011 mainly due to higher average cash balances in 2012 compared to 2011. This was brought about by the net proceeds from stock subscription of ₱18.4 billion from PMHI and other subscribers in March and May 2012 and the additional drawdown from the bilateral loan with BDO of ₱5.8 billion reduced by payment to PMHI for the Sureste shares amounting to

₱5.9 billion, payments to contractors, suppliers and consultants for the development of Solaire Manila amounting ₱12.2 billion, payments for the lease of the land of ₱237.5 million and payments for administrative expenses of ₱0.8 billion.

Gain on Sale of Investment in an Associate

On November 29, 2011, Sureste sold its remaining interest in Monte Oro Resources & Energy, Inc. (MOREI) to PMHI. The sale resulted to a gain of ₱72.3 million.

Others

Other income for 2011 consists of rental of investment properties held by Sureste. In October 2011, these investment properties were declared as property dividends to PMHI, which explains why no other income was recognized in 2012.

EXPENSES

Total expenses consist of: (1) Pre-opening expenses; (2) Salaries and benefits; (3) Taxes and licenses; (4) Outside services and charges; (5) Communication and transportation; (6) General office expenses; (7) Depreciation and amortization; (8) Utilities; (9) Repairs and maintenance; and (10) Others.

The table below shows the breakdown of total expenses for 2011 and 2012.

	For the Year Ended December 31		% Change
<i>In thousands, except % change data</i>	2011	2012	2011 vs 2012
Cost and expenses:			
Pre-opening expenses	₱46,467	₱318,786	586.0
Salaries and benefits	3,437	222,217	6,364.7
Taxes and licenses	64,273	78,335	21.9
Outside services and charges	8,914	70,208	687.6
Communication and transportation	7,605	38,396	404.9
General office expenses	5,322	37,162	598.3
Depreciation and amortization	5,443	33,923	523.2
Utilities	454	10,708	2,259.3
Repairs and maintenance	2,164	2,082	(3.7)
Others	5,124	7,538	47.1
Sub-total	149,202	819,358	449.2
Foreign exchange losses – net	394	115,781	29,297.4
Mark-to-market loss	-	16,838	100.0
Equity in net loss of an associate	9,933	-	(100.0)
Total Expenses	₱159,529	₱951,976	496.7

Cost and Expenses

Pre-opening expenses

Pre-opening expenses increased by 586.0 percent to ₱318.8 million due to recruitment and training expenses of new employees, payment for direct advertising and marketing expenses,

salaries and benefits of employees directly associated with the opening, GGAM fees and other pre-opening consultants, and rentals of temporary offices.

Salaries and benefits

Most of the officers and employees joined the Group in 2012. Salaries and benefits for 2012 amounted to ₱222.2 million almost 65 times the amount paid in the same period last year mainly due to the increase in headcount to 836 from 19 at the beginning of the year.

Taxes and licenses

Taxes and licenses for 2012 was higher by 21.9 percent as versus the same period in 2011 due mainly to SEC filing fees related to the increase in authorized capital stock and documentary stamp taxes for various legal documents.

Outside services and charges

Outside services and charges consisting mainly of professional and third party services increased by 687.6 percent from ₱8.9 million in 2011 to ₱70.2 million in 2012. The increase was due to higher fees from legal, audit, recruitment and other consultants as well as increased building dues, freight and other fees.

Communication and transportation

Communication and transportation has increased by almost ₱30.8 million from ₱7.6 million in 2011 as result of higher number of employees as compared with the same period last year and increase in travel activity for recruitment purposes, marketing and investor relation activities.

General office expenses

General office expenses increased by 598.3 percent from ₱5.3 million in 2011 to ₱37.2 million in 2012 because of higher number of employees compared with last year resulting to higher cost of office and office equipment-related supplies.

Depreciation and amortization

Depreciation and amortization was higher than last year mainly because of new office furniture, fixtures and equipment, leasehold improvements for the recruitment and training facilities as well as acquisition of communication and transportation equipment in 2012.

Utilities

Utilities increased to almost twenty-four times to ₱10.7 million in 2012 mainly because increase pre-operating activities which include, among others, marketing, recruitment and training.

Repairs and maintenance

Repairs and maintenance for 2012 was lower compared with the same period last year mainly due to repairs made to Sureste's real estate assets, which were declared and transferred as property dividends to PMHI in October 2011.

Others

Other expenses representing miscellaneous expenses increased by 47.1 percent due to increase in pre-operating activities.

Foreign Exchange Loss - Net

The Group continues to recognize foreign exchange losses as the Philippine peso continues to appreciate against the US dollar. The Group reported ₱115.8 million net foreign exchange losses in 2012. The Philippine peso appreciated against the US dollar from ₱43.84/US\$1 as of December 31, 2011 to ₱41.192/US\$1 as of December 31, 2012.

Mark-to-Market Loss

Mark-to-market loss was a result of the fair value determination of an embedded derivative in the prepayment option of the Group's loan with BDO as of December 31, 2012.

Equity in Net Loss of an Associate

Equity in net loss of an associate in 2011 represents Sureste's share in the net losses of MOREI. MOREI was an associate of Sureste until October 2011, when Sureste declared and issued to PMHI its investment in 899,872,627 common shares of MOREI as property dividends and subsequently, on November 29, 2011, entered into a deed of assignment with PMHI, wherein Sureste assigned its rights, title and interests in the remaining 214,762,124 common shares of MOREI to PMHI.

BENEFIT FROM INCOME TAX

In 2012, the Group recognized a higher deferred tax assets and equivalent benefit from income tax of ₱68.4 million. The additional deferred tax assets mainly represent the taxable loss of Sureste for 2012, which the Group will carry forward for tax purposes.

NET INCOME (LOSS)

The Group registered a net loss of ₱687.9 million for 2012 compared to a net income of ₱2.7 million in 2011. The turn-around was due to increased level of pre-operating activities mainly from recruitment and training, direct and general marketing as well as higher number of employees by the end of 2012. And in 2011, the Group recognized a gain on sale of investment in an associate of ₱72.3 million which caused the positive net result for the year.

EARNINGS (LOSS) PER SHARE

The basic loss per share of ₱0.070 for 2012 was also a turn-around from the earning per share of ₱0.001 in 2011. The basic and diluted earnings (loss) per share are the same as there are no dilutive potential common shares.

There are no other significant elements of income and expense outside the Company's operating results for the year ended December 31, 2012.

OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2011 COMPARED WITH 2010

REVENUES

Revenues consist of: (1) Interest income; (2) Gain on sale of investment in an associate; (3) Equity in net gains of an associate; and (4) Other income. The table below illustrates the consolidated revenues for the year ended December 31, 2011 and 2010:

	For the Year Ended December 31		% Change
<i>In thousands, except % change data</i>	2010	2011	2010 vs 2011
Interest income	₱26,204	₱69,006	163.3
Gain in sale of investment in an associate	-	72,330	100.0
Equity in net gains of an associate	1,094,405	-	(100.0)
Others	3,833	4,345	13.4
Total Revenues	1,124,441	145,680	(87.0)

For 2011, interest income and gain on sale from investment in an associate accounted for 47.4 percent and 49.6 percent of total revenues, respectively. On the other hand in 2010, equity in net gains of an associate represents 97.3 percent and interest only accounted for 2.3 percent of total revenues.

Interest Income

Consolidated interest incomesurged by 163.3 percent to ₱69.0million in 2011 from ₱26.2 million in 2010 mainly because of higher average cash balances in 2011 compared to 2010. This was brought about by the net proceeds from drawdownsmade out of the bilateral loan with BDO of ₱2.5 billion reduced by payments to contractors, suppliers and consultants for the development of Solaire Manila amounting ₱4.0 billion and payments for administrative expenses of ₱139.4million.

Gain on Sale of Investment in an Associate

On November 29, 2011, Sureste sold its remaining interest in MOREI to PMHI.The sale resulted to a gain of ₱72.3 million.

Equity in Net Gains of an Associate

In 2010, Sureste recognized its equity share in the net income of MOREI amounting to ₱1.1 billion.MOREI was an associate of Sureste until October 2011, when Sureste declared and issued to PMHI its investment in 899,872,627 common shares of MOREI as property dividends and subsequently, on November 29, 2011, entered into a deed of assignment with PMHI, wherein Sureste assigned its rights, title and interests in the remaining 214,762,124 common shares of MOREI to PMHI.

Others

Other income for 2010 and 2011 consists mainly of rental income from investment properties held by Sureste. In October 2011, these investment properties were declared as property dividends to PMHI.

EXPENSES

Total expenses consist of: (1) Taxes and licenses; (2) Pre-opening expenses; (3) Outside services and charges; (4) Communication and transportation; (5); Depreciation and amortization(6) General office expenses; (7) Salaries and benefits; (8) Repairs and maintenance; (9) Utilities; (10) Interest and (11) Others.

The table below shows the breakdown of total expenses for 2011 and 2012.

	For the Year Ended December 31		% Change
<i>In thousands, except % change data</i>	2010	2011	2010 vs 2011
Cost and expenses:			
Taxes and licenses	₱448	₱64,273	14,231.4
Pre-opening expenses	2,677	46,467	1,635.6
Outside services and charges	26,465	8,914	(66.3)
Communication and transportation	2,520	7,605	201.8
Depreciation and amortization	2,682	5,443	103.0
General office expenses	407	5,322	1,208.4
Salaries and benefits	909	3,437	278.3
Repairs and maintenance	1,603	2,164	35.0
Utilities	-	454	-
Interest	27,966	-	(100.0)
Others	502	5,124	919.8
Sub-total	66,179	149,202	125.5
Foreign exchange losses – net	196,692	394	(99.8)
Equity in net loss of an associate	-	9,933	-
Total Expenses	₱262,872	₱159,529	(39.3)

Cost and Expenses

Taxes and licenses

Taxes and licenses for 2011 as compared with 2010 shoot up to ₱64.3 million from ₱0.4 million. The significant increase was due to SEC filing fees related to the increase in authorized capital stock of Sureste and BRHI and documentary stamp taxes for various legal documents.

Pre-opening expenses

Pre-opening expenses increased by 1,635.6 percent to ₱46.5 million in 2011. In the second half of 2011, Group started the recruitment activities for Solaire Manila with the hiring of certain key management officers and human resources personnel. In September 2011, the Group also started accruing management fees to GGAM.

Outside services and charges

Outside services and charges consisting mainly of professional fees and third party services decreased by 66.3 percent from ₱26.5 million in 2010 to ₱8.9 million in 2012. The decrease was due to lower legal fees.

Communication and transportation

Communication and transportation increased by ₱5.1 million from ₱2.5 million in 2010 due to increase in travel activity for recruitment purposes and investor relation activities.

Depreciation and amortization

Depreciation and amortization was higher in 2011 than in 2010 mainly because of acquisitions of new office furniture, fixtures and equipment, leasehold improvements for the recruitment facilities as well as acquisition of communication and transportation equipment in 2011.

General office expenses

General office expenses increased by 1,208.4 percent from ₱0.4 million in 2010 to ₱5.3 million in 2011 because of increase level of activities in relation to the recruitment program that commenced in the second half of 2011 resulting to higher cost of office and office equipment related supplies.

Salaries and benefits

By the end of 2011 certain key management officers and human resource employees have joined the Group. This resulted to a higher level of salaries and benefits as compared with 2010.

Repairs and maintenance

Repairs and maintenance for 2011 was higher compared with the same period in 2010 mainly due to repairs made to Sureste's real estate assets, which were declared and transferred as property dividends to PMHI in October 2011.

Utilities

A modest amount of utility expenses of ₱0.5 million were incurred in 2011 for the newly leased office for key management officers and the recruitment team.

Interest

Interest expense of ₱28.0 million in 2010 pertains to the loan of Sureste from a local bank, which was settled by the end of 2010.

Others

Other expenses representing miscellaneous expenses increased by 919.8 percent due to increased level of pre-operating activities.

Foreign Exchange Losses - Net

The Group recognized foreign exchange losses as the Philippine peso appreciated against the US dollar in 2010 and 2011. However in 2011, the Group only reported net foreign exchange losses of ₱0.4 million. The Philippine peso appreciated against the US dollar from ₱43.885/US\$1 as of December 31, 2010 to ₱43.84/US\$1 as of December 31, 2011.

Equity in Net Loss of an Associate

Equity in net loss of an associate in 2011 represents Sureste's share in the net losses of MOREI. MOREI was an associate of Sureste until October 2011, when Sureste declared and issued to PMHI its investment in 899,872,627 common shares of MOREI as property dividends and subsequently, on November 29, 2011, entered into a deed of assignment with PMHI, wherein Sureste assigned its rights, title and interests in the remaining 214,762,124 common shares of MOREI to PMHI.

PROVISION FOR (BENEFIT FROM) INCOME TAX

In 2011 the Company reported a benefit from income tax of ₱16.5 million a turn-around from a provision for income tax of ₱0.03 million. The benefit from income tax resulted from the recognition of deferred tax assets mainly on the taxable loss of Sureste for 2011, which the Group will carry forward for tax purposes.

NET INCOME

Net income for year ended December 31, 2011 decreased by 99.7% to ₱2.7 million from ₱861.5 million of the same period last year. The decrease mainly resulted from the huge equity share in net gains of MOREI in 2010.

EARNINGS PER SHARE

The basic earnings per share of ₱0.001 for 2011 declined compared with the earning per share of ₱1,149 in 2010 mainly because of lower earnings registered in 2011. The basic and diluted earnings per share are the same as there are no dilutive potential common shares.

There are no other significant elements of income and expense outside the Company's operating results for the year ended December 31, 2011.

TRENDS, EVENTS OR UNCERTAINTIES AFFECTING RECURRING REVENUES AND PROFITS

The Group will be exposed to a number of trends, events and uncertainties, which can affect its recurring revenues and profits upon commencement of its casino and hotel operations. These include levels of general economic activity, as well as certain cost items, such as labor, fuel and power. The Group will collect revenues in various currencies and the appreciation and depreciation of the US dollar and other major currencies against the Philippine peso, may have a negative impact on the Group's reported levels of revenues and profits.

FINANCIAL CONDITION

	As of December 31			% Change	% Change
<i>In thousands, except % change data</i>	2010	2011	2012	2010 vs 2011	2011 vs 2012
Current assets	₱1,111,469	₱1,515,067	₱8,055,957	36.3	431.7
Total assets	6,181,573	8,324,870	28,796,048	34.7	245.9
Current liabilities	9,300	489,947	3,259,782	5,168.3	565.3
Total interest-bearing debt	-	2,422,059	8,176,107	-	237.6
Total liabilities	133,540	2,975,338	11,459,412	2,128.0	285.1
Total equity	6,048,033	5,349,532	17,336,636	(11.5)	224.1
Current assets/total assets	17.98%	18.20%	27.98%		
Current ratio	119.51	3.09	2.47		
Debt-equity ratio ¹	0.02	0.56	0.66		
Net debt-equity ratio	(1.64)	(0.08)	0.08		

¹Debt includes all liabilities. Equity includes paid-up capital, equity reserves and deficit.

²Net Debt includes all liabilities less cash and cash equivalents and restricted cash.

Current assets soared 431.7 percent to ₱8.1 billion as of December 31, 2012 from ₱1.5 billion as of December 31, 2011. The growth was attributable to higher cash balance at the end of the year as a result of proceeds from stock subscription of ₱18.4 billion from PMHI and other subscribers in March and May 2012 and the additional drawdown from the bilateral loan with BDO of ₱5.8 billion. The cash balance was reduced by payment to PMHI for the Sureste shares amounting to ₱5.9 billion, payments to contractors, suppliers and consultants for the development of Solaire Manila amounting ₱12.2 billion, payments for the lease of the land of ₱237.5 million and payments for administrative expenses of ₱0.8 billion.

Total assets grew by 245.9 percent to ₱28.8 billion as of December 31, 2012 from ₱8.3 billion as of December 31, 2011. The increase was mainly due to a higher cash balance as explained above. Project development costs and property and equipment increased by ₱10.4 billion and ₱158.6 million, respectively. Other non-current assets consisting of advances to contractors and deferred debt issue costs increased by ₱3.4 billion.

Current liabilities moved up by 565.3 percent mainly because of accrual of liabilities to contractors and suppliers. Total liabilities increased by 285.1 percent from ₱3 billion as of December 31, 2011 to ₱11.5 billion as of December 31, 2012 due mainly to the additional loan drawdown with BDO amounting to ₱5.8 billion and increase in current liabilities as explained above.

Total equity as of December 31, 2012 amounted to ₱17.3 billion, 224.1 percent higher compared to the ₱5.3 billion reported as of December 31, 2011. The increase mainly resulted from the net proceeds of subscription from PMHI and other subscribers amounting to ₱18.4 billion offset by the net loss for the period of ₱687.9 million.

MATERIAL VARIANCES AFFECTING THE BALANCE SHEET

Balance sheet accounts as of December 31, 2012 with variances of plus or minus 5.0 percent against December 31, 2011 balances are discussed, as follows:

Current Assets

1. Cash and cash equivalents rose by 572.1 percent as of December 31, 2012 mainly due to the proceeds from stock subscription of ₱18.4 billion from PMHI and other subscribers in March and May 2012 and the additional drawdown from the bilateral loan with BDO of ₱5.8 billion. The cash balance was reduced by payment to PMHI for the Sureste shares amounting to ₱5.9 billion, payments to contractors, suppliers and consultants for the development of Solaire Manila amounting ₱12.2 billion, payments for the lease of the land of ₱237.5 million and payments for administrative expenses of ₱0.8billion.
2. Current portion of restricted cash decreased by 92.9 percent mainly due to payments for project development costs and administrative expenses.
3. Receivables increased by 426.1 percent mainly because of advances to officers and employees, which are settled through salary deduction or liquidation.
4. Due from related parties amounting to ₱320 million as of December 31, 2011, was subsequently collected in February 2012.
5. Prepayment and other current assets grew by 782.2 percent from ₱15.5 million as of December 31, 2011 to ₱137.0 million as of December 31, 2012 because of recognition of derivative asset, additional prepayments for rent and insurance and increase in input VAT as well as in the current portion of security deposits.

Noncurrent Assets

6. Advances to contractors and suppliers increased by 2,908.5 percent due to advances made for outstanding purchase orders.
7. Project development costs as of December 31, 2012 stood at ₱14.7 billion, 241.2 percent higher than ₱4.3 billion as of December 31, 2011 due to additional billings from the contractors, consultants and suppliers for the development of Solaire Manila.
8. Property and equipment which has a balance of ₱175.2 million as of December 31, 2012 was higher by 957.5 percent compared with the balance of December 31, 2011 because of additions in transportation, office and communication equipment and leasehold improvements totaling ₱192.5 million reduced by depreciation and amortization for period amounting to ₱33.9 million.
9. Deferred tax assets increased by 419.9 percent due to the recognition of tax assets mainly for net operating loss carried over (NOLCO) for 2012.
10. Other non-current assets increased by 50.1 percent mainly because of the purchase of hotel operating equipment and supplies which will be amortized upon start of commercial operations of the hotel.

Current Liabilities

11. Accrued expenses and other current liabilities increased by 565.3 percent to ₱3.3 billion primarily due to higher billings and accruals of liabilities to contractors and suppliers and accrual for PAGCOR land rental.

Noncurrent Liabilities

12. Long-term debt net of unamortized debt issue cost increased by 237.6 percent to ₱8.2 billion as of December 30, 2012 due to the ₱5.8 billion additional loan drawdown from BDO.
13. Accrued rent decreased by 81.4 percent mainly because of 1st land lease payment and reclassification to current portion.
14. In 2012, the Group recognized a retirement liability for its current workforce for Solaire Manila based on an actuarial valuation.

Equity

15. With the approval of the increase in authorized capital stock from ₱120 million to ₱15 billion, capital stock increased to ₱10.6 billion with the proceeds from stock subscription from PMHI and other shareholders.
16. In May 2012, PMHI offered and sold 1,179,963,700 of its existing Bloomberry common shares at ₱7.50 per share. PMHI subscribed for, and Bloomberry agreed to issue new shares in an amount equal to the aggregate number of shares sold by PMHI. PMHI also granted CLSA Limited, the stabilizing agent, an option to purchase up to 10% of the total offered shares or 117,963,700 shares at ₱7.50 per share, which CLSA Limited exercised on May 31, 2012. Additional paid-in capital arising from said transactions amounted to ₱8.0 billion.
17. Equity reserves as of December 31, 2011 amounting to ₱5.8 billion mainly representing the equity of Sureste, which was substantially eliminated after the reverse acquisition of Bloomberry. Transaction costs incurred relative to issuance of shares in 2012, amounting to ₱76.4 million, were charged against additional paid in capital. Equity reserves as of December 31, 2012 represent stock issuance costs incurred in 2011, net of Bloomberry's retained earnings at reverse acquisition date.
18. Deficit increased by 141.4 percent to ₱1.2 billion as of December 31, 2012 from ₱486.4 million as of December 31, 2011 was due to the ₱687.9 million registered net loss for 2012.

Balance sheet accounts as of December 31, 2011 with variances of plus or minus 5.0 percent against December 31, 2010 balances are discussed, as follows:

Current Assets

1. Cash and cash equivalents increased by 141.3 percent as of December 31, 2011 mainly due to drawdown from the bilateral loan with BDO of ₱2.5 billion. The cash balance was reduced by payments to contractors, suppliers and consultants for the development of

Solaire Manila amounting ₱3.8 billion and payments for administrative expenses of ₱139.4million.

2. Current portion of restricted cash increased by 436.6 percent mainly due to reclassification from non-current portion reduced by payments for project development costs and administrative expenses.
3. Receivables increase by 45.8 percent mainly because of accrual of interest income from short-term placements.
4. Due from related parties decreased to ₱320 million as of December 31, 2011, after the collection of ₱435.1 million in 2011.
5. Prepayment and other current assets grew by 582.0 percent to ₱15.5 million as of December 31, 2011 from ₱2.3 million as of December 31, 2010 because of prepayments for rent and increase in input VAT.

Noncurrent Assets

6. Restricted cash decreased by 41.4 percent as of December 30, 2011 because reclassification to current portion, which were used to settle project development costs and administrative expenses.
7. Advances to contractors amounting to ₱114.3 million represent advance payments to various contractors and suppliers for outstanding purchase orders. No advances were made in 2010.
8. Project development costs increased to ₱4.3 billion as of December 31, 2011 from ₱356.2 million as of December 31, 2010 due to billings from the general contractor, consultants and suppliers for the development of Solaire Manila.
9. Property and equipment which has a balance of ₱16.6 million as of December 31, 2011 was higher by 78.5 percent compared with the balance of December 31, 2010 because of additions in transportation, office and communication equipment and leasehold improvements totaling ₱11.9 million reduced by depreciation and amortization for period amounting to ₱5.4 million.
10. Deferred tax assets of ₱16.6 million were the result of the recognition of tax assets mainly for net operating loss carried over (NOLCO) for 2011. In 2010, no deferred tax assets were recognized.
11. As of December 31, 2010, Sureste has interest in MOREI. MOREI was an associate of Sureste until October 2011, when Sureste declared and issued to PMHI its investment in 899,872,627 common shares of MOREI as property dividends and subsequently, on November 29, 2011, entered into a deed of assignment with PMHI, wherein Sureste assigned its rights, title and interests in the remaining 214,762,124 common shares of MOREI to PMHI.
12. As of December 31, 2010, Sureste has investments in real estate assets amounting to ₱38.1 classified as investment properties in its books. These properties were declared and transferred as property dividends to PMHI in October 2011.

13. Other non-current assets increased by 3,693.2 percent in 2011 mainly because of prepaid debt issue costs and non-current portion of security deposits.

Current Liabilities

14. Accrued expenses and other current liabilities increased by 5,168.3 percent to ₱490.0 million because higher accrued project cost, interest on long-term debt, current portion of accrued rent and withholding tax payable.

Noncurrent Liabilities

15. Long-term debt net of unamortized debt issue cost increased to ₱2.4 billion as of December 31, 2011 because of the ₱2.5 billion drawdown from the loan facility with BDO.
16. Accrued rent decreased by 47.4 percent mainly because of reclassification to current portion.

Equity

17. As of December 31, 2011, the Group registered a deficit of ₱486.4 million from a retained earnings of ₱198.3 million as of December 31, 2010 brought about by the declaration of property dividends by Sureste in 2011.

LIQUIDITY AND CAPITAL RESOURCES

This section discusses the Group's sources and use of funds as well as its debt and equity profile.

Liquidity

The table below shows the Group's consolidated cash flows for the years ended December 31, 2010, 2011 and 2012:

Consolidated Cash Flows

<i>In thousands, except % change data</i>	For the Year Ended December 31			% Change	% Change
	2010	2011	2012	2010 vs 2011	2011 vs 2012
Net cash provided by (used in) operating activities	(1,333,559)	592,163	604,920	(144.4)	2.2
Net cash provided by (used in) investing activities	2,892,476	(2,173,017)	(18,018,269)	(175.1)	729.2
Net cash provided by (used in) financing activities	(1,027,966)	2,404,365	24,128,706	(333.9)	903.5
Effect of exchange rate changes on cash and cash equivalents	(196,692)	(4)	(7,965)	(100.0)	207,003.4
Net increase (decrease) in cash and cash equivalents	334,259	823,118	6,707,392	146.3	714.9
Cash and cash equivalents, beginning	14,996	349,255	1,172,373	2,228.9	235.7
Cash and cash equivalents, end	349,255	1,172,373	7,879,765	235.7	572.1

Cash and cash equivalents rose by 572.1 percent as of December 31, 2012 mainly due to the proceeds from stock subscription of ₱18.4 billion from PMHI and other subscribers in March and May 2012 and the additional drawdown from the bilateral loan with BDO of ₱5.8 billion. The

cash balance was reduced by payment to PMHI for the Sureste shares amounting to ₱5.9 billion, payments to contractors, suppliers and consultants for the development of Solaire Manila amounting ₱12.2 billion, payments for the lease of the land of ₱237.5 million and payments for administrative expenses of ₱0.8billion.

In 2012 the Group registered a positive cash flow from operating activities of ₱604.9 million slightly higher from last year's positive cash flow of ₱592.2 million. The primary reasons for these positive cash flows for 2012 and 2011 was interest income received in 2012 and accrual of liabilities to contractors and suppliers, which increased in 2012 by almost ₱1.0 billion.

Net cash used in investing activities soared to ₱18.0 billion for the year ended December 31, 2012 from ₱2.2 billion in the same period in 2011 mainly because of the payments to PMHI for the Sureste shares totaling to ₱5.9 billion, payments and accrual of liabilities to contractors and consultants for the development of Solaire Manila amounting ₱12.2 billion.

The Group in 2012 also has completed significant financing activities. Net cash provided for the period increased by 903.5 percent to ₱24.1 billion from ₱2.4 billion for 2011 mainly coming from the additional drawdown from the bilateral loan with BDO of ₱5.8 billion and proceeds from stock subscription from PMHI and other shareholders totaling to ₱18.4 billion.

Capital Resources

The table below shows the Group's capital sources as of December 31, 2010, 2011 and 2012:

Capital Sources

<i>In thousands, except % change data</i>	As of December 31			% Change	% Change
	2010	2011	2012	2010 vs 2011	2011 vs 2012
Long-term debt - net	₱-	₱2,422,059	₱8,176,107	-	237.6
Equity	6,048,033	5,349,532	17,336,636	(11.5)	224.1
Total Capital	₱6,048,033	₱7,771,592	₱25,512,743	28.5	228.3

Total debt and equity grew by 228.3 percent to ₱25.5 billion as of December 31, 2012 from ₱7.8 billion as of December 31, 2011. The increase was the result of the combined effect of the additional drawdown from the bilateral loan with BDO of ₱5.8 billion and proceeds from stock subscription from PMHI and other shareholders totaling to ₱18.4 billion.

Please refer to Note 12 of the Notes to Audited Consolidated Financial Statements for the discussion on debt financing, covenants and collaterals.

RISKS

The future operations of the Group shall be exposed to various market risks, particularly foreign exchange risk, interest rate risk and liquidity risk, which movements may materially impact the future financial results and conditions of the Group. The importance of managing these risks has significantly increased in light of the volatility in the Philippine and international financial markets. With a view to managing these risks, the Group has incorporated a financial risk management function in its organization, particularly in the treasury operations.

Please refer to Note 20 of the Notes to Audited Consolidated Financial Statements for the discussion on Financial Assets and Liabilities and Financial Risk Management Objectives and Policies.

Changes in and Disagreements with Accountants of Accounting and Financial Disclosure

There were no changes or disagreements with the Company's external auditors, Sycip Gorres Velayo & Co. (SGV & Co.) on accounting and financial statement disclosures.

On March 19, 2012, the Board of Directors of Bloomberry appointed SGV & Co. as principal accountant to audit its financial statements. SGV & Co. replaced CG&Co.

The reason for this change is that SGV & Co. is the independent auditor for Sureste and BRHI which are the operating subsidiaries of Bloomberry, which will make the consolidation of the financial statements easier.

Consolidated Financial Statements

The Company's financial statements and accompanying notes are incorporated herein by reference.

Corporate Governance

The Company, its Board of Directors, officers and employees strive, through good corporate governance, to enhance the value of the Corporation and optimize over time the returns to its shareholders by:

- a. Sound, prudent, and effective management,
- b. Efficient and effective management information system,
- c. Effective risk management,
- d. Reliable financial and operational information,
- e. Cost effective and profitable business operations, and
- f. Compliance with laws, rules, regulations and contracts.

The following are measures that the Company has undertaken or will undertake to fully comply with the adopted leading practices on good governance:

1. Manual on Corporate Governance

The Group has approved a new Manual on Corporate Governance to replace one which was established when the Company was still Active Alliance Inc. Our current Compliance Officer will continue to coordinate with the SEC with respect to compliance requirements, monitor compliance with the manual and report any governance-related issues to the Board. The Company commits itself to principles and best practices of governance in the attainment of corporate goals.

2. Board of Directors

Bloomberry's Board has the expertise, professional experience, and background that allow for a thorough examination and deliberation of the various issues and matters affecting the Group. The Board is responsible for the Company's overall management and direction. The Board will meet regularly on a quarterly basis, or more frequently as required, to review and monitor the Company's project development, future results of operations and financial position. Bloomberry's Amended Articles of Incorporation provide that the Board shall consist of seven (7) directors where two (2) members are Independent Directors: Jon Ramon Aboitiz and Carlos C. Ejercito. Except for Mr. Enrique K. Razon, Jr., and Estela Tuason-Ocña, all members of the Board are non-

executive Directors.

Except for the current directors who were elected in November 2011, Bloomberry's directors are elected at the Annual Stockholders' Meeting. They shall hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

3. Audit Committee

The Company's Audit Committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and stockholders of the continuous improvement of its risk management systems, business operations and the proper safeguarding and use of its resources and assets. It provides a general evaluation and assistance in the overall improvement of its risk management, control and governance processes. The Committee is composed of three (3) Board members, including one (1) independent director who serves as the committee chairman. The Committee reports to its Board and is required to meet at least four (4) times a year.

4. Nomination Committee

The Board organized the Nomination Committee to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

5. Compensation and Remuneration Committee

A Compensation and Remuneration Committee was organized by the Board to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates.

6. Executive Officers

Bloomberry's Management Team, will be responsible for the day-to-day management and operations of the casino and hotel. The registered address of the Company's executive officers for the moment is Unit 601, 6/F Ecoplaza Building, Chino Roces Avenue Extension, Makati City, Philippines.

7. Independent Audit

Part of the Company's organizational structure is the Audit and Compliance Group (ACG). The establishment of ACG is a positive step towards good corporate governance. Its purpose, authority and responsibilities will be defined in the Audit Charter, consistent with the definition of Internal Auditing, IIA Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. The Audit Charter will be subject to the approval of the President and the Audit Committee. To ensure its independence, the ACG functionally reports to the Audit Committee of the Board.

8. Management and Reporting Structure

The Board togetherwith the management will develop the reporting structure based on the approved organizational structure of the hotel and casino operation. The reporting structure, which clearly segregates the different operations and functions, will define the responsibilities of each department and will incorporate the proper check and balance within the organization.

9. Continuing Improvements for Corporate Governance

Bloomberry will continue to improve its corporate governance, systems and processes to enhance adherence to practices of good corporate governance.

BUSINESS OF ISSUER

Overview

The Company was engaged in the manufacture of printed circuit board up to 2003. It ceased commercial operations in December 2003 up to 2011. On February 27, 2012, the SEC approved the change in its primary purpose to that of a holding company and now having Sureste and BRHI as its subsidiaries.

Sureste Properties, Inc.

Sureste was incorporated in 1993 as a property holding company. On July 2, 2010, Sureste amended its primary purpose to develop and operate tourist facilities including hotel casino entertainment complexes. Sureste is registered with the Philippine Economic Zone Authority ("PEZA") as developer of a hotel project in a PEZA Tourism Economic Zone. As a result, Sureste enjoys certain incentives granted by the Government in relation to the hotel component of Solaire Manila, including reduced tax rates. In 2011, in compliance with the requirements of PEZA, Sureste divested itself of all its non-hotel assets including its ownership in Monte Oro Resources and Energy Inc. ("MORE") and various prime real estate properties. Sureste acquired all the shares of BRHI on January 12, 2011.

Bloomberry Resorts and Hotels, Inc.

On February 27, 2008, BRHI was incorporated as Bloombury Investments Holdings Inc. ("BIHI") for the purpose of developing and operating tourist facilities, including casino-entertainment complexes with casino, hotel, retail and amusement areas and themed development components. On September 21, 2012, the SEC approved the change in name of BIHI to Bloomberry Resorts and Hotels, Inc. On April 8, 2009, BRHI was granted a Provisional License by PAGCOR to establish and operate integrated casino, hotel and entertainment complex at the Entertainment City Manila in Paranaque City. On September 21, 2010, the SEC approved the change of BIHI's name to BRHI.

Solaire Manila

The Group is the owner of "Solaire Manila", the first premium/luxury hotel and gaming resort in the Philippines. The 8.3-hectare gaming and integrated resort complex along Asean Boulevard in Paranaque City is the first casino to operate within Entertainment City. BRHI, as the license holder, is the operator of the casino while Sureste is the operator of the hotel and other non-gaming business.

Solaire Manila started commercial operations on March 16, 2013 with the opening of Phase 1 main gaming area and initial non-gaming amenities, such as the hotel, food and beverage outlets.

Competition

As a gaming resort designed, planned and developed according to world-class industry standards, Solaire Manila will compete with integrated resorts and casinos in Macau and Singapore and other casinos and resort developments that operate in Asia that offer gaming. The Company also expects that Solaire Manila will compete against facilities in the world's other major gaming centers, including Las Vegas, Nevada and Australia.

In the Philippine gaming market, the Company is one of only four private gaming licensees for Entertainment City in the Philippines in the immediate future, and the Company is not aware of any other potential new private applicants for additional licenses from PAGCOR. In terms of its integrated resort and tourism business, the Company will compete domestically with both Philippine and foreign owned hotels and resorts. With respect to its gaming business in particular, Solaire Manila is expected to compete domestically with PAGCOR gaming facilities and the facilities built by the three other licensees in Entertainment City granted by PAGCOR, all of which are scheduled to open after Solaire Manila. There are 13 casinos throughout the Philippines owned and operated by PAGCOR. In addition, outside of Entertainment City, there are six privately-owned casino operators in special economic zones, mostly situated outside Metro Manila. Other competitors licensed by government include companies specializing in horse racing, cockfighting, lotto, sweepstakes and other smaller-scale gaming operators.

Travellers International Hotel Group, Inc. ("Travellers") opened Resorts World Manila in mid-2009, the first PAGCOR-licensed integrated resort. It is located in the Newport City Cyber tourism Zone ("Newport City") in the vicinity of the Ninoy Aquino International Airport. Travellers is a joint venture between Genting HongKong Limited, a gaming operator with facilities worldwide and Alliance Global Group, Inc. ("AGI"), a Philippine conglomerate that owns Megaworld Corporation. Travellers has announced that it plans to commence construction of its second integrated tourism resort branded as Resorts World Bayshore, which will be located in Entertainment City and estimated to open in 2016.

Belle Corporation is currently constructing an integrated resort and casino facility branded as Belle Grande Manila Bay (Belle Grande) near Entertainment City on a 6.2-hectare site. Belle Grande is expected to open in the second half of 2014. Belle Corporation owns Premium Leisure & Amusement Inc., the operating entity that obtained the gaming license from PAGCOR. Belle Corporation is controlled by Henry Sy Sr., the founder of SM Group and chairman of SM Prime Holdings. In July 2012 a consortium composed of Melco Crown, SM Group, Belle Corporation and Premium Leisure & Amusement Inc. announced a partnership agreement to complete the development of Belle Grande.

Another developer, Universal Entertainment Corp., a Japan-based corporation controlled by Kazuo Okada, through its subsidiary Tiger Resorts, Leisure and Entertainment, Inc. (Tiger Resorts), broke ground on its planned development in Entertainment City in January 2012 and is scheduled to open in the first quarter of 2015.

The Company believes that Solaire Manila will be able to compete effectively with these entrants by offering a differentiated product that will appeal to the preferences of all segments of the Philippine gaming market, which is expected to grow significantly over the next few years.

Principal Suppliers/ Service Provider

Steelman Partners ("Steelman") was engaged to provide the master plan design concept for Solaire Manila. Steelman is an architecture, planning and design firm with vast experience in designing gaming resort projects throughout the world. GGAM has a management services agreement (MSA) with Sureste and BRHI for the Solaire Manila Project. GGAM provides planning, technical and other advisory services prior to Solaire Manila's opening. GGAM through the Company's Management Team will provide management services for Solaire Manila's hotel and gaming operations upon commencement of commercial operations. GGAM is an international gaming consultancy firm based in Las Vegas, Nevada, USA whose three principals (William Weidner, Bradley Stone and Garry Saunders) have decades of integrated tourism resort and gaming industry experience, a substantial portion of which was in senior management positions with Las Vegas Sands, Inc. in the United States and Macau. GGAM has strong relationships with Asian junket/ independent gaming promoters who the Company believes will be a key component in attracting VIP customers to the Philippines, and Solaire Manila, in particular. The Company has also engaged Design Coordinates, Inc. ("DCI") acting through its affiliate D' Consult International, Inc., and D.M. Consunji, Inc. ("DMCI"), two of the Philippines' most experienced companies with established track records in large-scale project management and construction, respectively, to oversee and conduct the development and construction of Solaire Manila.

Customers

Mass Market

The Company's Mass Market customers will comprise of all Solaire Manila customers who do not fall under the VIP customer segments.

VIP Players

Solaire Manila's VIP customers are players who are on a rolling chip program at Solaire Manila. These VIP players may come to Solaire Manila directly without any agent or junket/independent gaming promoter intermediary, or they may be sourced from independent gaming promoters in the Philippines and across Asia.

The Company expects that as a result, each area of Solaire Manila and its respective facilities and gaming offerings will meet the needs of each category of customer. Solaire Manila's facilities will be complemented by extensively trained employees with skillsets tailored to the customer base that they will be serving, allowing Solaire Manila to offer them the best possible gaming experience.

Related Parties

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with affiliates. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on arm's length terms comparable to those available from unrelated third parties.

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

Intellectual Property, Licenses, Contract and Agreements

The Company has registered “Entertainment City Manila” and “Solaire Manila” trademarks in connection with the Company's properties, facilities and development projects. These trademarks are brand names under which the Company will market its properties and services.

The Company also possesses copyrights for certain of the proprietary software systems, whose remaining useful lives range from one to five years. The Group sees to it that its rights for the use of these software systems are secured at all times to ensure continued use and support from vendors

Government License and Regulatory

Provisional License

PAGCOR issued a provisional license ("Provisional License") for the development of an integrated casino, hotel and entertainment complex within Entertainment City on April 8, 2009 to BRHI. BRHI is one of four licensees for Entertainment City.

The Provisional License will be replaced with a regular casino gaming license upon Solaire Manila's completion and PAGCOR's approval of a final report. The Provisional License, as well as any regular license issued to replace it (which shall have the same terms and conditions as the Provisional License), is co-terminus with PAGCOR's franchise. PAGCOR franchise will expire on July 11, 2033 and may be renewed by law.

PEZA Registration

Sureste is a PEZA-registered Tourism Economic Zone Enterprise for the construction, development, management and operation of a hotel and entertainment complex at the Bagong Nayong Pilipino – Entertainment City Manila.

Employees

As of February 28, 2013, the Company had 4,288 full-time employees, which include the employees of its subsidiaries.

The Company's employees are not subject to collective bargaining agreements.

Discussion of Risks

Management has identified major business risk factors affecting the Group as follows: (i) risks relating to the Company's early stage of development; (ii) risks relating to the completion and operation of Solaire Manila; (iii) risks relating to the provisional license and regulation of the Philippine gaming industry; and (iv) risks relating to the Country in general.

Risks Relating To The Group's Construction and Development of Solaire Manila

The Group began initial construction of Solaire Manila in July 2010 expects to open Phase 1 in the first quarter of 2013 and Phase 1a in the third quarter of 2014. As such, Solaire Manila

remains in a developmental phase and is expected to generate revenue starting the first quarter of 2013 and full utilization of its facilities in the third quarter of 2014. There is no historical information available about Solaire Manila's operations upon which an evaluation of Solaire Manila's business and prospects. In addition, Entertainment City, where Solaire Manila is located, is also in midstream development and no other integrated tourism resorts have yet begun operations there. As a result, the Group's business and prospects should be considered in light of the risks, expenses, and challenges that an early-stage company seeking to develop and operate a major new project faces.

Risks Relating To The Operation Of Solaire Manila

The loss of members of the Group's management team, including any GGAM Management Nominees, or termination of the MSA, may adversely affect the operations, particularly given the Group's lack of experience in planning and operating an integrated tourism resort such as Solaire Manila.

Changes in public acceptance of gaming in the Philippines may adversely affect Solaire Manila.

Risks Relating To The Provisional License And Regulation Of The Philippine Gaming Industry

The Company's gaming operations are dependent on the Provisional License issued by PAGCOR. The Group may be required to obtain an additional legislative franchise, in addition to its Provisional License, in the event that House Bill 5682 is approved by the Senate and is signed into law by the President of the Philippines.

Any additional gaming licenses issued by PAGCOR could increase competition and diminish the value of the Company's Provisional License and the Company's business may be adversely affected by policy changes or additional conditions on its Provisional License.

Recent allegations of bribery involving PAGCOR and another holder of a Provisional License may result in investigations of all Provisional Licenses. The validity of the title to the land leased by the Group from PAGCOR for Solaire Manila's site may also be challenged because of the decision of the Supreme Court in PEA Amari case.

PAGCOR's licensees such as BRHI may lose their exemption from corporate income tax under Section 13 (2) (b) of the PAGCOR charter if their income tax exemption is not affirmed by the court.

Risks Relating To The Country In General

All of the Company's businesses and assets are in the Philippines and its performance will depend to a substantial degree on the performance of the Philippine economy. The Company's gaming business is also vulnerable to global and regional economic downturns and may cause the Company difficulty raising sufficient capital to expand its operations in the future.

Properties

On May 7, 2010, BRHI entered into a contract of lease with PAGCOR to lease 83,084 square meters of land for the construction of the gaming facility. The lease period shall be about 23 years, which shall commence upon the execution of the contract and shall be co-terminus with the term of lessor as provided in the PAGCOR charter which will expire on July 11, 2033, unless sooner revoked, rescinded or cancelled. On May 20, 2011, BRHI and Sureste entered into a deed of assignment whereby BRHI assigned to Sureste all its rights and interests as a lessee under the

contract of lease with PAGCOR. In December 2012, BRHI and Sureste agreed to amend the above deed of assignment. Pursuant to the amended deed of assignment and with the consent of PAGCOR, BRHI assigned 89% of its leasehold rights over the leased land to Sureste and retained the 11% of such rights.

The leasehold rights and improvements on the leased lands are subject to mortgage lien in favor of BDO and other lenders.

Legal Proceedings

Neither the Company nor any of its subsidiaries are involved in or the subject of any legal proceedings which, if determined adversely to the Company or the relevant subsidiary's interests, would have a material effect on the business or financial position of the Company or any of its subsidiaries.

Market for Issuer's Common Equity and Related Stockholder Matters

Market Information

Principal Market where Company's common equity is traded: Philippine Stock Exchange
As of the latest practicable trading date on May 15, 2013, the share prices of the Company were:

	Price/Common Share
Opening:	12.60
High:	12.88
Low:	12.52
Closing:	12.52

The high and low share prices for each quarter within the last two years are:

Calendar Period	High	Low
<u>2011</u>		
Quarter 1	5.21	5.14
Quarter 2	6.90	3.98
Quarter 3	7.30	3.02
Quarter 4	76.00	4.80
<u>2012</u>		
Quarter 1	63.00	25.80
Quarter 2	33.60	8.21
Quarter 3	11.20	9.49
Quarter 4	14.78	11.14
2013		
Quarter 1	14.32	13.98

Holder

The number of stockholders of record as of the latest practicable date on May 15, 2013 was 57 excluding PCD Nominees. Shares outstanding and subscribed as of the same date were 10,589,800,556 shares.

The following are the Company's top 20 registered stockholders as of May 15, 2013:

Name	Number of Shares	Percentage of outstanding shares
PRIME METROLINE HOLDINGS, INC. ¹	6,407,472,444	60.51
PCD NOMINEE (NON-FILIPINO)	2,502,785,505	23.63
QUASAR HOLDINGS, INC. ¹	921,184,056	08.70
GLOBAL GAMING PHILIPPINES LLC	921,184,056	
PCD NOMINEE (FILIPINO)	457,688,945	04.32
FALCON INVESTCO HOLDINGS INC ¹	225,000,000	02.12
ENRIQUE K. RAZON , JR.	31,232,832	00.29
JOHN RAMON M. ABOITIZ	13,510,632	00.13
A. SORIANO CORPORATION	12,587,000	00.12
CHRISTIAN R. GONZALEZ	11,855,633	00.11
SILVERIO BENNY J. TAN	1,980,719	00.02
DENNIS ANDREACI	200,000	Nil
CHEN XING YU	115,000	Nil
HIZON, EVA A. &/OR LUISITO T. HIZON	75,000	Nil
EVA ABCEDE HIZON	60,000	Nil
SHU ZHEN ZHOU	60,000	Nil
ANNA VANESSA ROBLES VIOLA	50,000	Nil
NIXON G. SY	50,000	Nil
LORENZO CHING	30,000	Nil
ANDRES S. VAZQUEZ-PRADA	28,800	Nil

¹Enrique K. Razon Jr. is the controlling stockholder of Prime Metroline Holdings, Inc. Quasar Holdings, Inc. and Falcon Investco Holdings, Inc. Enrique K. Razon, Jr. directly and indirectly owns 7,584,889,332 shares or 71.62% some of which are lodged with the PCD Nominee Corporation.

Dividends and Dividend Policy

No dividends, either cash or stock, were declared on the shares for the last two (2) years.

Recent Sale of Unregistered Securities

The Company in the special stockholders' meeting and board meeting held on February 6, 2012 approved the increase its authorized capital stock to Fifteen Billion Pesos (₱15,000,000,000) divided into Fifteen Billion (15,000,000,000) shares. The Board of Directors approved the subscription of the following companies to the aforesaid increase in the authorized capital stock of the Company at the subscription price per share equivalent to the par value of the subscribed shares of one peso:

Subscriber	Subscribed Shares
PMHI	7,265,656,500
Top Global Systems Limited (TGSL)	800,000,000
Falcon Investco Holdings, Inc. (FIHI)	225,000,000
Quasar Holdings, Inc. (QHI)	921,184,056
Total	9,211,840,556

The issuance of new shares in an increase in authorized capital stock is an exempt transaction under SRC Rule Section 10.1 (i), (e) and (k).

In May 2012, Bloomberry and its parent company PMHI completed a Placing and Subscription Transaction under which PMHI first sold in a private placement to various institutional investors 1,179,963,700 shares of stock in Bloomberry at ₱7.50 per share. On May 28, 2012, CLSA Limited as the stabilizing agent exercised the over-allotment option to purchase 117,996,300 shares of stock in Bloomberry from PMHI at the same purchase price of ₱7.50 per share. The net proceeds of the private placement and the exercise of the over-allotment were used by PMHI to subscribe to the equivalent number of new shares in Bloomberry at the same subscription price of ₱7.50 per share.

A total of 1,297,960,000 new shares were subscribed by Prime Metroline as a result of the foregoing Placing and Subscription Transaction, including the exercise of the over-allotment option by the stabilizing agent. These shares were listed in the Philippine Stock Exchange on December 7, 2012.

The issuance of new shares as a result of the Placing and Subscription Transaction is an exempt transaction under SRC Rule Section 10.1 (k) and (l).

The proceeds of these subscriptions to new shares of Bloomberry were used to pay for the acquisition of 100% outstanding capital stock of Sureste, and to finance the construction and development of Solaire Manila.

Description of Registrant's Securities

Bloomberry's capital stock comprised of unclassified shares. The shares are listed and traded in the Philippine Stock Exchange.



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

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 Fax: (632) 819 0872
 www.sgv.com.ph

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
 Bloomberry Resorts Corporation
 Unit 601, 6th Floor, Ecoplaza Bldg.
 Chino Roces Avenue Extension
 Makati City

We have audited the accompanying consolidated financial statements of Bloomberry Resorts Corporation and its subsidiaries (formerly Active Alliance Incorporated) [a subsidiary of Prime Metroline Holdings, Inc. (formerly Prime Metroline Transit Corp.)], which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, 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.



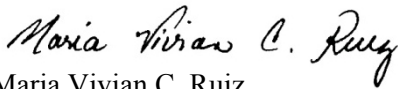
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Bloomberry Resorts Corporation and its subsidiaries as at December 31, 2012 and 2011, and their financial performance and their cash flows the years then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

The consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of Bloomberry Resorts Corporation and its subsidiaries for the year ended December 31, 2010 were not audited. The separate financial statements of the parent company and of its subsidiaries, Sureste Properties, Inc. and Bloomberry Resorts and Hotels Inc., for the year ended December 31, 2010 were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 2011.

SYCIP GORRES VELAYO & CO.



Maria Vivian C. Ruiz

Partner

CPA Certificate No. 83687

SEC Accreditation No. 0073-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

Tax Identification No. 102-084-744

BIR Accreditation No. 08-001998-47-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 3670018, January 2, 2013, Makati City

March 6, 2013





Bloomberg Resorts Corporation

March 6, 2013

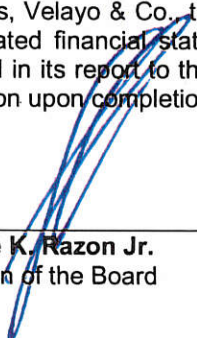
The Securities and Exchange Commission
SEC Building, EDSA, Greenhills
Mandaluyong City

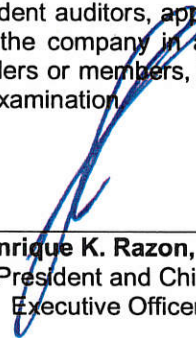
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Bloomberg Resorts Corporation** is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2012, 2011 and 2010, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of 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 or members.

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 or members, has expressed its opinion on the fairness of presentation upon completion of such examination.


Enrique K. Razon Jr.
Chairman of the Board


Enrique K. Razon, Jr.
President and Chief
Executive Officer


Estela T. Occeña
Director and Treasurer

SUBSCRIBED AND SWORN to before me this March 6 06 MAR 2013 day of _____, affiant(s) exhibiting to me their Passports, as follows:

Name
Enrique K. Razon
Estela T. Occeña

Competent Evidence of Identity
Phil. Passport No. WW0527425
Phil. Passport No. EA0031480

Date/Place of Issue
Feb. 15, 2010/Manila
Feb. 15, 2010/Manila

Doc. No. 187
Page No. 29
Book No. 11
Series of 2013


KEVIN EDRIK P. RELOPEZ
Appointment No. M-519
Notary Public for Makati City
Until December 31, 2013
18th 19th & 17th Floor, Liberty Center
104 H.V. dela Costa Street
Saicedo Village, Makati City
Roll of Attorneys No. 60351
PTR 3676524/Makati City/01-07-2013
IBP 908427/Makati City /01-02-2013

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES**(Formerly Active Alliance Incorporated)****[A Subsidiary of Prime Metroline Holdings, Inc. (Formerly Prime Metroline Transit Corp.)]****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AS OF DECEMBER 31, 2012 AND 2011**

	2012	2011 (Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 20)	₱7,836,932,348	₱573,299,664
Current portion of restricted cash (Notes 7 and 20)	42,832,595	599,073,079
Receivables (Notes 5 and 20)	39,150,605	7,443,290
Due from a shareholder (Notes 13 and 20)	–	319,716,760
Prepayments and other current assets (Notes 6 and 20)	137,041,344	15,533,884
Total Current Assets	8,055,956,892	1,515,066,677
Noncurrent Assets		
Restricted cash - net of current portion (Notes 7 and 20)	2,182,037,610	2,254,579,896
Advances to contractors (Notes 8 and 18)	3,439,011,003	114,310,563
Project development costs (Notes 8 and 12)	14,715,961,920	4,313,329,843
Property and equipment (Note 9)	175,165,970	16,563,524
Deferred tax assets - net (Note 19)	86,192,911	16,578,520
Other noncurrent assets (Notes 10 and 20)	141,721,877	94,440,733
Total Noncurrent Assets	20,740,091,291	6,809,803,079
	₱28,796,048,183	₱8,324,869,756
LIABILITIES AND EQUITY		
Current Liabilities		
Payables and other current liabilities (Notes 11 and 20)	₱3,259,781,507	₱489,947,464
Noncurrent Liabilities		
Long-term debt (Notes 12 and 20)	8,176,106,582	2,422,059,447
Accrued rent - net of current portion (Note 11)	11,758,247	63,330,598
Retirement liability (Note 14)	11,765,800	–
Total Noncurrent Liabilities	8,199,630,629	2,485,390,045
Total Liabilities	11,459,412,136	2,975,337,509
Equity		
Capital stock (Notes 1 and 15)	10,589,800,556	80,000,000
Additional paid-in capital (Note 15)	7,948,329,736	–
Equity reserve (Note 2)	(27,138,558)	5,755,949,217
Deficit (Notes 13 and 15)	(1,174,355,687)	(486,416,970)
Total Equity	17,336,636,047	5,349,532,247
	₱28,796,048,183	₱8,324,869,756

See accompanying Notes to Consolidated Financial Statements.



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
(Formerly Active Alliance Incorporated)
[A Subsidiary of Prime Metroline Holdings, Inc. (Formerly Prime Metroline Transit Corp.)]
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(With Comparative Figures for 2010)

	2012	2011 (Note 2)	2010 (Note 2 - Unaudited)
REVENUES			
Interest income (Notes 4 and 7)	₱195,599,816	₱69,005,571	₱26,203,631
Gain on sale of investment in an associate (Note 10)	—	72,329,595	—
Equity in net gains of an associate (Note 10)	—	—	1,094,404,807
Others (Note 17)	—	4,345,277	3,832,651
	195,599,816	145,680,443	1,124,441,089
EXPENSES			
Costs and expenses (Note 16)	819,357,609	149,202,171	66,179,454
Foreign exchange losses - net (Note 20)	115,780,579	393,846	196,692,176
Mark-to-market loss (Note 12)	16,838,284	—	—
Equity in net losses of an associate (Note 10)	—	9,933,136	—
	951,976,472	159,529,153	262,871,630
INCOME (LOSS) BEFORE INCOME TAX	(756,376,656)	(13,848,710)	861,569,459
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)	(68,437,939)	(16,508,414)	31,912
NET INCOME (LOSS)	(687,938,717)	2,659,704	861,537,547
OTHER COMPREHENSIVE INCOME	—	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱687,938,717)	₱2,659,704	₱861,537,547
Basic/Diluted Earnings (Loss) Per Share (Note 22)	(₱0.070)	₱0.001	₱1,149

See accompanying Notes to Consolidated Financial Statements.



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

(Formerly Active Alliance Incorporated)

[A Subsidiary of Prime Metroline Holdings, Inc. (Formerly Prime Metroline Transit Corp.)]

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(With Comparative Figures for 2010)

	Capital Stock (Notes 1 and 15)	Additional Paid-in Capital (Note 15)	Equity Reserve (Note 2)	Retained Earnings (Deficit) (Notes 13 and 15)	Total
Balances at January 1, 2012	₱80,000,000	₱—	₱5,755,949,217	(₱486,416,970)	₱5,349,532,247
Net loss	—	—	—	(687,938,717)	(687,938,717)
Other comprehensive income	—	—	—	—	—
Total comprehensive loss	—	—	—	(687,938,717)	(687,938,717)
Issuance of capital stock (Note 15)	10,509,800,556	7,948,329,736	—	—	18,458,130,292
Movement of equity reserve (Note 2)	—	—	(5,783,087,775)	—	(5,783,087,775)
Balances at December 31, 2012	₱10,589,800,556	₱7,948,329,736	(₱27,138,558)	(₱1,174,355,687)	₱17,336,636,047
Balances at January 1, 2011	₱80,000,000	₱—	₱5,769,746,670	₱198,286,286	₱6,048,032,956
Net income	—	—	—	2,659,704	2,659,704
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	—	2,659,704	2,659,704
Movement of equity reserve (Note 2)	—	—	(13,797,453)	—	(13,797,453)
Dividend declaration (Note 15)	—	—	—	(687,362,960)	(687,362,960)
Balances at December 31, 2011	₱80,000,000	₱—	₱5,755,949,217	(₱486,416,970)	₱5,349,532,247
Balances at January 1, 2010 (Unaudited)	₱80,000,000	₱—	₱—	(₱663,251,261)	(₱583,251,261)
Net income	—	—	—	861,537,547	861,537,547
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	—	861,537,547	861,537,547
Movement of equity reserve (Note 2)	—	—	5,769,746,670	—	5,769,746,670
Balances at December 31, 2010 (Unaudited)	₱80,000,000	₱—	₱5,769,746,670	₱198,286,286	₱6,048,032,956

See accompanying Notes to Consolidated Financial Statements.



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

(Formerly Active Alliance Incorporated)

[A Subsidiary of Prime Metroline Holdings, Inc. (Formerly Prime Metroline Transit Corp.)]

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(With Comparative Figures for 2010)

	2012	2011 (Note 2)	2010 (Note 2 - Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	(P756,376,656)	(P13,848,710)	P861,569,459
Adjustments for:			
Interest income (Notes 4 and 7)	(195,599,816)	(69,005,571)	(26,203,631)
Unrealized foreign exchange losses - net	115,780,579	393,846	196,692,176
Depreciation and amortization (Notes 9, 15 and 16)	33,923,083	5,443,215	2,682,046
Mark-to-market loss (Note 12)	16,838,284	—	—
Retirement expense (Note 14)	11,765,800	—	—
Equity in net losses (gains) of an associate (Note 10)	—	9,933,136	(1,094,404,807)
Gain on sale of investment in an associate (Note 10)	—	(72,329,595)	—
Interest expense (Note 12)	—	—	27,965,960
Operating loss before working capital changes	(773,668,726)	(139,413,679)	(31,698,797)
Decrease (increase) in:			
Receivables	(34,151,124)	134,914	(758,119)
Due from related parties	319,716,760	435,116,551	(1,022,223,125)
Prepayments and other current assets	(54,855,025)	(13,256,186)	(2,096,091)
Increase (decrease) in:			
Payables and other current liabilities	949,901,949	243,049,250	9,228,003
Due to a shareholder	—	—	(307,685,471)
Net cash generated from (used in) operations	406,943,834	525,630,850	(1,355,233,600)
Interest received	198,046,325	66,532,586	21,858,527
Income taxes paid	(70,106)	—	(184,293)
Net cash provided by (used in) operating activities	604,920,053	592,163,436	(1,333,559,366)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of Sureste (Note 2)	(5,865,496,700)	—	—
Acquisition of property and equipment (Note 9)	(192,525,529)	(11,854,442)	(10,471,054)
Cash acquired from reverse acquisition (Note 2)	81,551,355	—	—
Decrease (increase) in:			
Project development costs (Note 8)	(8,634,543,610)	(3,776,581,182)	(235,889,814)
Investment in an associate and other noncurrent assets (Note 10)	(47,279,148)	(320,574,004)	(16,225,839)
Advances to contractors	(3,324,702,436)	114,310,563	—
Restricted cash - net of current portion	(35,273,095)	1,594,188,254	771,231,850
Proceeds from sale of investment in an associate (Note 10)	—	227,493,710	—
Net return of capital in investment in an associate (Note 10)	—	—	1,151,996,573
Dividend received (Note 10)	—	—	1,231,834,512
Net cash provided by (used in) investing activities	(18,018,269,163)	(2,173,017,101)	2,892,476,228

(Forward)



	2012	2011 (Note 2)	2010 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuance of capital stock	₱18,458,130,292	₱–	₱–
Net proceeds from availment of loans	5,670,576,216	2,422,059,447	–
Stock issue cost on issuance of legal subsidiaries' capital stock	–	(29,547,483)	–
Additional deposit for future stock subscription of legal subsidiary	–	15,750,030	–
Decrease in other noncurrent liability	–	(3,896,939)	–
Payment of bank loan	–	–	(1,000,000,000)
Interest paid	–	–	(27,965,960)
Net cash provided by (used in) financing activities	24,128,706,508	2,404,365,055	(1,027,965,960)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(7,965,198)	(393,846)	(196,692,176)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,707,392,200	823,117,544	334,258,726
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and cash equivalents	573,299,664	237,620,215	14,996,473
Current portion of restricted cash (Notes 2 and 7)	599,073,079	111,634,984	–
	1,172,372,743	349,255,199	14,996,473
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and cash equivalents	7,836,932,348	573,299,664	237,620,215
Current portion of restricted cash (Notes 2 and 7)	42,832,595	599,073,079	111,634,984
	₱7,879,764,943	₱1,172,372,743	₱349,255,199

See accompanying Notes to Consolidated Financial Statements.



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
(Formerly Active Alliance, Incorporated)
[A Subsidiary of Prime Metroline Holdings, Inc. (Formerly Prime Metroline Transit Corp.)]
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(With Comparative Information for 2010)

1. Organization and Business

a. Corporate Information

Bloomberry Resorts Corporation (formerly Active Alliance, Incorporated), referred to as “Bloomberry” or “Parent Company”, was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on May 3, 1999. Bloomberry was mainly engaged in the manufacture and distribution of consumer communication and electronic equipment until 2003 and operated within the Subic Bay Freeport Zone (SBFZ) and was governed by the Subic Bay Metropolitan Authority (SBMA) rules and regulations under Republic Act (R.A) No. 7227, otherwise known as the “Bases Conversion and Development Act of 1992”. Effective December 14, 2009, the lease agreement between Bloomberry and SBMA was mutually rescinded.

Bloomberry’s shares of stock are publicly traded in the Philippine Stock Exchange (PSE). The Parent Company’s registered office address is at Unit 601, 6th Floor Ecoplaza Bldg., Chino Roces Avenue Extension, Makati City.

The consolidated financial statements have been approved and authorized for issuance by the Board of Directors (BOD) on March 6, 2013.

b. Change in Ownership of Bloomberry

As of December 31, 2011, Bloomberry was a majority - owned subsidiary of Wespac Holdings Incorporated, a corporation organized and existing under Philippine laws.

On January 26, 2012, Prime Metroline Holdings, Inc. (PMHI, formerly Prime Metroline Transit Corporation) acquired 60,000,000 shares of Bloomberry, constituting 75% of its outstanding capital stock, from Wespac Holdings Incorporated and other shareholders through a cross sale transaction in the PSE.

On February 27, 2012, the SEC approved the increase in Bloomberry’s authorized capital stock to ₱15.0 billion divided into 15.0 billion shares with par value of ₱1 per share and the following amendments in its articles of incorporation, among others: change in the corporate name to Bloomberry Resorts Corporation and change in the primary purpose to that of a holding company.

As of December 31, 2012, PMHI (the ultimate parent company) owns 60.51% of Bloomberry (see Note 15).

c. Subsidiaries of Bloomberry

On February 6, 2012, PMHI sold 100% of its ownership interest in Sureste Properties, Inc. (Sureste) to Bloomberry for ₱5.9 billion. As of December 31, 2012, Bloomberry’s subsidiaries include Sureste and its wholly-owned subsidiary, Bloomberry Resorts and Hotels Inc. (BRHI) (collectively referred to as “the Group”) (see Note 2).



Sureste was incorporated in the Philippines and was registered with the SEC on April 16, 1993. Its wholly-owned subsidiary, BRHI, was incorporated in the Philippines and registered with the SEC on February 27, 2008. The primary purpose of Sureste and BRHI is to develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components.

d. Status of Operations

The Philippine Amusement and Gaming Corporation (PAGCOR) has granted BRHI the Provisional License on April 8, 2009 to develop an integrated casino, hotel and entertainment complex within Entertainment City. BRHI is one of four licensees for Entertainment City. Prior to the development of integrated resorts in the Philippines, only PAGCOR-operated casinos and six private casinos in special economic zones were allowed to operate in the country. BRHI's Provisional License will be replaced with a regular casino gaming license upon full completion of the Project, referred to as "Solaire Manila", and upon PAGCOR's approval of a final report. The Provisional License, as well as any regular license to be issued to replace it, is concurrent with PAGCOR's congressional franchise. PAGCOR's franchise will expire on July 11, 2033 and may be renewed by law.

The Group is currently constructing "Solaire Manila", envisioned to be the premium/luxury integrated tourism and casino development in Entertainment City. Solaire Manila is expected to be one of the Philippines' first premium/luxury hotel and gaming resort at the time of the planned opening in the first quarter of 2013. The 8.3-hectare gaming and integrated resort complex along Aseana Boulevard in Parañaque City is currently under construction and will be the first casino to operate within Entertainment City. BRHI, as the license holder, will operate the casino while Sureste will operate the hotel and non-gaming business.

The Group is expected to commence commercial operations upon completion of Phase 1 of Solaire Manila, with the opening of the main gaming area and initial non-gaming amenities, such as Solaire Manila's hotel, food and beverage outlets.

2. Summary of Significant Accounting Policies and Disclosures

Basis of Preparation

The consolidated financial statements have been prepared under the historical cost basis. The consolidated financial statements are presented in Philippine Peso, the functional and presentation currency of the Parent Company and its subsidiaries, and all values are rounded to the nearest peso, except when otherwise indicated.

Basis of Consolidation

On February 6, 2012, Bloomberry completed the acquisition of Sureste from PMHI through a cash transaction (see Note 1c). Sureste, a subsidiary of PMHI, was deemed to be the accounting acquirer for accounting purposes under the principles of Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*. The acquisition was accounted for similar to a reverse acquisition following the guidance provided by the standard. In a reverse acquisition, the legal parent is identified as the acquiree for accounting purposes because based on the substance of the transaction, the legal subsidiary is adjudged to be the entity that gained control over the legal parent. Accordingly, the consolidated financial statements of Bloomberry have been prepared as a continuation of the consolidated financial statements of Sureste. Sureste has accounted for the accounting acquisition of Bloomberry on January 26, 2012 which was the date when PMHI acquired Bloomberry (see Note 1b). The comparative December 31, 2011 and 2010 information



presented in the consolidated financial statements are that of Sureste and its subsidiary, BRHI, not that originally presented in the previous financial statements of the legal parent (accounting acquiree), i.e. Bloomberry, and also is retroactively adjusted to reflect the legal capital (i.e., the number and type of capital stock issued) of Bloomberry. The adjustment, which is the difference between the paid-up capital of Sureste and Bloomberry, is recognized as part of “Equity reserve”.

Because these consolidated financial statements represent a continuation of the consolidated financial statements of Sureste, except for its capital structure, the consolidation reflects:

- a) the consolidated assets and liabilities of Sureste (legal subsidiary/accounting acquirer) recognized and measured at their pre-combination carrying amounts, not at their acquisition-date fair values, and the assets and liabilities of Bloomberry (legal parent/accounting acquiree) recognized and measured at their acquisition-date fair values (Cash and cash equivalents - ₱81,551,355; Receivables - ₱2,700; Other current assets - 19,800; Deferred tax asset - ₱1,176,452 and Accrued expenses - ₱341,382);
- b) the retained earnings and other equity balances of Sureste before combination (i.e., not those of Bloomberry);
- c) the total equity is that of Sureste but the legal capital (common shares) would be that of Bloomberry;
- d) any difference between (1) the net assets of Sureste and its subsidiary, BRHI, and (2) the sum of legal capital of Bloomberry and the combined retained earnings of Sureste and its subsidiary, BRHI, shall be accounted for as “Equity reserve”; and
- e) the consolidated statements of comprehensive income for the comparative period reflects that of Sureste while the consolidated statement of comprehensive income for the current year reflects that of Sureste for the full period together with the post-combination results of Bloomberry.

Reverse acquisition applies only to the consolidated financial statements. The parent company financial statements as of and for the years ended December 31, 2012 and 2011 will continue to represent Bloomberry as a stand-alone entity.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions are eliminated in full.

Statement of Compliance

The Group’s consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards (PFRS). PFRS include statements named PFRS and Philippine Accounting Standards (PAS), and Philippine Interpretations based on equivalent interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council (FRSC).



Changes in Accounting Policies and Disclosures

The Group's accounting policies are consistent with those of the previous financial year, except for adoption of the following amendments to existing PFRS as at January 1, 2012.

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments). The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendments). This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendment has no impact on the Group's financial position or performance.

Standards Issued But Not Yet Effective

The Group will adopt the following revised standards, interpretations and amendments to existing standards when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these revised standards, interpretations and amendments to PFRS to have a significant impact on the consolidated financial statements.

Effective in 2013

- Amendment to PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*. The amendments to PAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.
- Amendments to PAS 19, *Employee Benefits*. Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment to PAS 19 has no impact to the Group, since this is the first year that they will recognize the retirement expense and the related liability. The Group's retirement expense and the related liability arising from the computation based on the old PAS 19 and the amended standard is the same (see Note 14). The amendment becomes effective for annual periods beginning on or after January 1, 2013.



- PAS 27, *Separate Financial Statements* (as revised in 2011). As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group will consider the changes in its separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011). As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- Amendments to PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*. These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a. The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
 - c. The net amounts presented in the statement of financial position;
 - d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
 - e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*. PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.



- PFRS 11, *Joint Arrangements*. PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 12, *Disclosure of Interests with Other Entities*. PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 13, *Fair Value Measurement*. PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.
- Improvements to PFRSs (effective for annual periods beginning on or after January 1, 2013, with retrospective application)

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

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

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

The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting



policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

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

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.

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

The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position or performance.

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

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

Effective in 2014

- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities*. These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The Group is currently assessing impact of the amendments to PAS 32. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015

- PFRS 9, *Financial Instruments: Classification and Measurement*. PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows



and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*. This interpretation, effective for annual periods beginning on or after January 1, 2015, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Significant Accounting Policies

Financial Instruments

Date of recognition

Financial instruments within the scope of PAS 39 are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using trade date accounting.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for financial instruments at fair value through profit or loss (FVPL). The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.



Determination of fair value

The fair value for financial instruments traded in active markets at financial reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

“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 Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of comprehensive income, unless it qualifies for recognition as some other type of asset or liability. In cases where data which is not observable are used, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference amount.

Financial assets and liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and liabilities are classified as held for trading if these are acquired for the purposes of selling and repurchasing in the near term.

Derivatives, including any separated embedded derivatives, are also classified under financial assets or liabilities at FVPL, unless these are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management on initial recognition as at FVPL when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.



Financial assets and liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized in the consolidated statement of comprehensive income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Group's derivative asset arising from the loan prepayment option is classified as financial assets at FVPL as of December 31, 2012. The Group has no financial liability at FVPL as of December 31, 2012 and 2011 (see Note 20).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL. Loans and receivables are classified as current assets if maturity is within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. Interest earned or incurred is recognized as "Interest income" in the consolidated statement of comprehensive income. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized and impaired, as well as through the amortization process.

The Group's cash and cash equivalents, receivables, due from a shareholder, restricted cash and security deposit are classified as loans and receivables (see Note 20).

HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial recognition, these investments are subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the EIR. Interest earned or incurred is recognized in "Interest income" in the consolidated statement of comprehensive income. Gains and losses are recognized in the consolidated statement of comprehensive income when the HTM investments are derecognized and impaired, as well as through the amortization process. The effects of restatement on foreign currency-denominated HTM investments are also recognized in the consolidated statement of comprehensive income.

The Group has no HTM investments as of December 31, 2012 and 2011.



AFS financial assets

AFS financial assets are those non-derivative financial assets which are designated as such or do not qualify to be classified in any of the three preceding categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets are classified as current assets if management intends to sell these financial assets within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

After initial recognition, AFS financial assets are subsequently measured at fair value, with unrealized gains and losses being recognized as other comprehensive income account until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income reserve account is recognized in the consolidated statement of comprehensive income. The Group uses the specific identification method in determining the cost of securities sold. Interest earned on holding AFS debt securities is included under "Interest income" using the EIR method in the consolidated statement of comprehensive income. Dividends earned on holding AFS equity investments are recognized in the consolidated statement of comprehensive income when the right of payment has been established.

The Group has no AFS assets as of December 31, 2012 and 2011.

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. These include liabilities arising from operations or borrowings. Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization is included the consolidated statement of comprehensive income.

Other financial liabilities include payables and other current liabilities and long-term debt.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statement of financial position.

Impairment of Financial Assets

The Group assesses at each reporting period 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 a debtor or a group of debtors is experiencing significant financial



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

Financial assets carried at amortized cost

For financial assets at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The estimated future cash flows is discounted at the financial asset's original EIR. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. The financial asset together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in our consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its original amortized cost at the reversal date. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income.

Derecognition of Financial Assets and 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: (1) the rights to receive cash flows from the asset have expired; or (2) the Group 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 Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the Group's continuing involvement in the asset.



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

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of comprehensive income.

Cash and Cash Equivalents

Cash includes cash on hand and in banks, including bank accounts maintained by the Group as collateral for its long-term debt and cash that is restricted for meeting cash commitments in the next twelve months related to the development of the Project. 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 for which there is an insignificant risk of change in value.

Restricted Cash

Restricted cash represents cash in escrow account as required in the Provisional License issued by PAGCOR and restricted cash and cash equivalents that are allocated for the development of the Project.

Advances to Contractors

Advances to contractors represent advance payments for the Group's gaming equipment, hotel furniture and fixtures, operating equipment and other gaming and hotel equipment. These are charged to expense or capitalized to project development costs in the consolidated statement of financial position, upon actual receipt of services or gaming/hotel equipment. These are considered as nonfinancial instruments as these will be applied against future billings from contractors.

Project Development Costs

Costs incurred in the construction of the hotel casino entertainment complex, referred to as "Solaire Manila", are capitalized as "Project development costs". This includes cost of construction, equipment and other direct costs such as borrowing cost. Upon completion, it will be amortized over the life of the Group's license with PAGCOR or life of the asset, whichever is shorter. During the period of development, project development costs are tested for impairment.



Property and Equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, such expenditures are capitalized as additional costs of property and equipment. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of comprehensive income of such period.

The useful lives and depreciation and amortization method are reviewed at least 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.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets, or the term of the lease as in the case of leasehold improvements, whichever is shorter:

Office furniture and fixtures	3 years
Transportation equipment	5 years
Leasehold improvements	3 years or term of the lease whichever is lower
Office and communication equipment	3 years

Operating Equipment

Operating equipment includes linen, china, glassware, silver, and other kitchen wares, which are carried at cost. Items of operating equipment with expected period of consumption of one year or less are classified as current. Bulk purchases of items of operating equipment with expected usage period of beyond one year are classified as noncurrent assets.

Investment in an Associate

Investment in an associate is accounted for using the equity method of accounting and is initially recorded at cost. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

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 Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized nor individually tested for impairment. The consolidated statement of comprehensive income reflects the share in the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share in such change and disclose this, when applicable, in the consolidated statement of comprehensive income and changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the interest in those associates.



The share of profit and losses of the associate is shown on the face of the consolidated statement of comprehensive income. This is the profit or loss, attributable to equity holders of the associate and therefore is the profit or loss, after tax and net of non-controlling interest in the subsidiaries of the associate.

The Group's reporting dates and that of its associate are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Where necessary, adjustments are made to bring such accounting policies in line with those of the Group.

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

Upon loss of significant influence over the associate, the Group measures and recognizes any remaining investment at its fair value. Any difference between the carrying amounts of the investment in an associate upon loss of significant influence, and the fair value of the remaining investment and proceeds from disposal, is recognized in profit or loss.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of the recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said 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 recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.



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 of proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital.

Equity reserve pertains to costs incurred in 2011, in connection with the issuance of capital stock such as taxes and legal fees. The account also includes the effect of the reverse acquisition.

Deficit represents the Group's cumulative net losses, net of dividends declared.

Distribution of Non-cash Assets to Owners

Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*, requires that an entity shall measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. IFRIC 17, however, does not apply when the non-cash asset is ultimately controlled by the same party or parties before and after the distribution. In such cases, the Group measures the liability to distribute non-cash assets as a dividend to its owners at the carrying amount of the assets to be distributed.

Foreign Currency Transactions and Translations

The Group's financial statements are presented in Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional closing rate of exchange prevailing at the end of the reporting period. All differences are recognized in the Group's consolidated statement of comprehensive income.

Revenue Recognition

The Group recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow into the entity and specific criteria have been met for each of the Group's activities described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The following specific recognition criteria must also be met before revenue is recognized:

Interest income

Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the EIR. Interest income represents interest earned from cash and cash equivalents and restricted cash comprising of cash in escrow and cash allocated to the project.

Rental income

Rental income, shown as part of "Other Revenue" is recognized on a straight-line basis.

Cost and Expenses

Costs and expenses are recognized in the consolidated statement of comprehensive income upon utilization of the service or at the date they are incurred.

Costs incurred prior to obtaining the license were expensed as incurred.



Pre-opening Expenses

Pre-opening expenses are costs incurred prior to opening of a new gaming facility. These are charged to expense as incurred. These include recruiting and training new employees, relocation costs, payroll for employees directly associated with the opening, payments to consultants to assist in the opening, operating costs incurred prior to opening but after construction is complete, direct advertising and marketing, and incremental office lease space prior to the opening. Pre-opening expenses are shown separately as part of the “Cost and expenses” account in the consolidated statement of comprehensive income.

Provisions

Provisions are recognized when the Group has present obligations, legal or constructive, as a result of past events, when 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. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as interest expense.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities necessary to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest cost.

All other borrowing costs are expensed as incurred.

Leases

The determination of whether an arrangements, or contains a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the 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 agreement; (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 the fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

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



As a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income or consolidated statement of financial position (in case of leases directly related to construction) on a straight-line basis over the lease term.

As a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease receipts are recognized as income in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Taxes

Current income tax

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

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except: (1) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefit of unused tax credits and unused tax losses can be utilized except: (1) when the deferred income 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 (2) with respect to deductible temporary differences associated with investments in subsidiaries, 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 period 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 period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.



Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period 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 period.

Deferred income tax relating to items recognized directly in other comprehensive income account is included in the other comprehensive income account of the consolidated statement of comprehensive income.

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

Value-Added Tax (VAT)

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

- When the VAT incurred on a purchase of assets or services is not recoverable from the tax 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; or
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from the taxation authority is included as part of the “Prepayments and other current assets” account in the consolidated statement of financial position.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed 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 Date

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

Earnings (Loss) Per Share

The Group presents basic and diluted earnings (loss) per share rate for its common shares.

Basic Earnings (loss) Per Share (EPS) is calculated by dividing net income (loss) for the period attributable to common equity shareholders by the weighted average number of common shares outstanding during the period after giving retroactive effect to any stock dividend declarations.

Diluted EPS is calculated in the same manner, adjusted for the dilutive effect of any potential common shares. As the Group has no dilutive common shares outstanding, basic and diluted earnings (loss) per share are stated at the same amount.



In a reverse acquisition, for the purpose of calculating the weighted average number of ordinary shares outstanding (the denominator of the earnings per share calculation):

- (a) the number of ordinary shares outstanding from the beginning of that period to the acquisition date is computed on the basis of the weighted average number of ordinary shares of the legal subsidiary/accounting acquirer outstanding during the period multiplied by the exchange ratio (number of shares issued by the legal parent over the number of shares issued by the legal subsidiary) established in the acquisition agreement; and
- (b) the number of ordinary shares outstanding from the acquisition date to the end of that period is the actual number of ordinary shares of the legal parent/accounting acquiree outstanding during that period.

The basic earnings per share disclosed for each comparative period before the acquisition date is calculated by dividing:

- (a) the profit or loss of the legal subsidiary/accounting acquirer attributable to ordinary shareholders in each of those periods, by
- (b) the legal subsidiary's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the acquisition agreement.

Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment subject to risks and rewards that are different from those of other segments, which operating results are regularly reviewed by the chief operating decision maker to make decisions about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available. The Group's operating businesses are organized and managed separately into two business activities. Such business segments are the bases upon which the Group reports its operating segment information. The Group operates in one geographical area where it will derive its revenue. Financial information on segment reporting is presented in Note 23.

3. Management's Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date. The uncertainties inherent in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future years.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments apart from those including estimations and assumptions, which has the most significant effect on the amounts recognized in the consolidated financial statements.

Evaluating 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 fulfilment of the arrangement depends on a specific asset or assets and the arrangement conveys a right to use the asset.



Group as a Lessee

The Group has entered into various operating lease agreements as a lessee. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership of these properties because the lease agreements do not transfer to the Group the ownership over the assets at the end of the lease term and do not provide the Group with a bargain purchase option over the leased assets and so accounts for the contracts as operating leases. Rent expense capitalized as part of "Project development costs" amounted to ₱481,374,154 and ₱300,858,846 as of December 31, 2012 and 2011, respectively (see Notes 8 and 17). Rent expense charged to operations, presented as part of "Pre-opening expenses", amounted to ₱33,750,985 and ₱4,239,591 in 2012 and 2011, respectively (see Notes 16 and 17).

Group as a Lessor

Group has entered into various operating lease agreements as a lessor. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the Group retains all the significant risks and rewards of ownership of these properties because the lease agreements do not transfer to the lessee the ownership over the assets at the end of the lease term and do not provide the lessee with a bargain purchase option over the leased assets and so accounts for the contracts as operating leases. Rental income amounted to nil, ₱4,345,277 and ₱3,832,651 for the years ended December 31, 2012, 2011 and 2010, respectively (see Note 17).

Estimates and assumptions

The key estimates and 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 recognized in the consolidated financial statements within the next financial year are discussed as follows:

Estimating Allowance for Doubtful Accounts. The Group reviews its receivables at each reporting date to assess whether a provision for doubtful accounts should be recorded in the consolidated statement of financial position. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowance against individually significant receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the receivables since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in country risk, and industry, as well as identified structural weaknesses or deterioration in cash flows.

There were no provisions for doubtful accounts for the year ended December 31, 2012, 2011 and 2010. Receivables amounted to ₱39,150,605 and ₱7,443,290 as of December 31, 2012 and 2011, respectively; while due from a shareholder amounted to ₱319,716,760 as of December 31, 2011 (see Notes 5 and 13).

Estimating Useful Lives of Property and Equipment. Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment based on the period over which the property and equipment are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.



Management will increase the depreciation and amortization charges where useful lives are less than previously estimated useful lives.

There were no changes in the estimated useful lives of the Group's property and equipment. The aggregate net book value of the Group's property and equipment amounted to ₱175,165,970 and ₱16,563,524 as of December 31, 2012 and 2011, respectively (see Note 9).

Estimating Useful Life of Operating Equipment. Bulk purchases of operating equipment items are estimated to be consumed over a period of two to three years. This estimation is reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Management will increase the amortization charges where period of consumption is less than the previously estimated period of consumption.

There were no amortizations for the years ended December 31, 2012, 2011 and 2010, respectively (see Note 10).

Impairment of Nonfinancial Assets. An impairment review is performed when certain impairment indicators are present. Nonfinancial assets are subject to annual impairment test or whenever there is a strong indication that the assets will be impaired. The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach or based on the fair values using the latest sales price available in the market. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Management is required to make estimates and assumptions to determine the recoverable amounts. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause the management to conclude that the affected assets are impaired and may have a material impact on the Group's financial condition and results of operations.

There was no impairment loss recognized for the years ended December 31, 2012, 2011 and 2010.

As of December 31, 2012 and 2011, the carrying values of nonfinancial assets subject to impairment review are as follows:

	2012	2011
Project development costs	₱14,715,961,920	₱4,313,329,843
Advances to contractors	3,439,011,003	114,310,563
Property and equipment	175,165,970	16,563,524
Operating equipment	46,505,341	—
	₱18,376,644,234	₱4,444,203,930

Recognition of Deferred Tax Assets. The Group reviews the carrying amounts at the end of each reporting period and reduced these to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. The forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized.



Management believes that the tax benefits granted to PAGCOR under its charter inure to the benefit of, and extend to BRHI in accordance with section 13 of Presidential Decree No. 1869 (see Note 19).

The Group recognized deferred tax assets amounting to ₱142,879,543 and ₱87,430,778 as at December 31, 2012 and 2011, respectively (see Note 19). The Group's temporary differences, for which no deferred tax assets have been recognized since management believes that it is not probable that these will be realized in the near future, amounted to ₱1,143,310,139 and ₱541,254,559 as of December 31, 2012 and 2011 resulting from (a) Bloomberry's position that it will not have any taxable profits in the future in which it could utilize its deferred tax assets; (b) BRHI's position that it is exempt from income tax when it starts commercial operations; and (c) Sureste's NOLCO expiring prior to its commercial operation; and expected reversal of certain temporary differences during Sureste's income tax holiday (ITH) (see Note 19).

Determination of Fair Values of Financial Assets and Liabilities. PFRS requires that the Group disclose estimated fair value of financial assets and financial liabilities 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 Group utilized a different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect the Group's disclosures.

Total fair values of financial assets and liabilities as of December 31, 2012 amounted to ₱10,163,768,038 and ₱11,189,991,418, respectively, while the total fair values of financial assets and liabilities as at December 31, 2011 amounted to ₱3,754,957,782 and ₱2,661,238,571, respectively (see Note 20).

4. Cash and Cash Equivalents

This account consists of:

	2012	2011
Cash on hand	₱135,000	₱97,405
Cash in banks	1,324,729,505	109,964,432
Temporary cash investments	6,317,339,899	405,994,229
Debt collateral accounts (see Note 12)	194,727,944	57,243,598
	₱7,836,932,348	₱573,299,664

Cash in banks earn interest at the prevailing bank deposit rates. Temporary cash investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates.

Debt collateral accounts are bank accounts maintained by the Group as collateral for its long-term debt (see Note 12).

Interest income earned from cash and cash equivalents amounted to ₱161,695,872, ₱2,052,847 and ₱1,651,512 for the years ended December 31, 2012, 2011 and 2010, respectively.



5. Receivables

This account consists of:

	2012	2011
Advances to officers and employees (see Note 13)	₱31,729,902	₱623,205
Accrued interest	4,374,280	6,818,089
Advances to suppliers	3,046,423	1,996
	₱39,150,605	₱7,443,290

Advances to officers and employees are normally settled within one month through salary deduction or liquidation (see Note 13).

Accrued interest pertains to interest from temporary cash investments and restricted cash account which are normally received within one year.

There were no provisions for doubtful accounts recognized in the consolidated statements of comprehensive income for the years ended December 31, 2012, 2011 and 2010.

6. Prepayments and Other Current Assets

This account consists of:

	2012	2011
Derivative asset (see Note 12)	₱66,632,635	₱-
Current portion of security deposit (see Note 17)	24,567,839	30,000
Prepaid rent (see Note 17)	23,696,848	3,464,970
Input VAT - net	13,236,574	11,584,675
Creditable withholding tax	144,776	154,481
Prepaid dues and others	8,762,672	299,758
	₱137,041,344	₱15,533,884

7. Restricted Cash

Restricted cash includes the escrow account required in the Provisional License issued by PAGCOR and restricted funds allocated for the development of the Project (see Note 1). Current portion of the restricted funds, which is expected to be released within the next 12 months, is shown separately in the current assets section of the consolidated statements of financial position. The noncurrent portion of the restricted cash pertains to the escrow account required by PAGCOR.

Under the Provisional License granted by PAGCOR, the Group is required to set up and maintain an escrow account amounting to US\$100.0 million with a universal bank mutually agreed by PAGCOR and BRHI. All funds for the development of the Project (see Note 1) shall pass through the escrow account and all drawdowns of funds from the said escrow account must be applied to the Project. The escrow account should have a maintaining balance of US\$50.0 million. If the funds in escrow account fall below the maintaining balance at any given time, BRHI shall deposit not later than 15 calendar days (grace period) from the date the escrow account falls below the maintaining balance, such funds to achieve the maintaining balance. The escrow will be withdrawn and released to BRHI upon completion of the Project (see Note 8).



Interest income on the restricted cash amounted to ₱33,903,944, ₱66,952,724 and ₱24,552,119 for the years ended December 31, 2012, 2011 and 2010, respectively.

8. Project Development Costs

Project development costs represent costs incurred in the development of Solaire Manila (see Note 1). Costs incurred mainly include raw materials procurement, general construction works, architectural design services, engineering consultancy and construction supervision services, interior design services, capitalized rent expense on lease contract with PAGCOR and interest charges on long-term debt.

Borrowing costs capitalized as part of “Project development costs” amounted to ₱352,284,948 and ₱77,981,653 as of December 31, 2012 and 2011, respectively (see Note 12). Lease on the land of PAGCOR capitalized as part of “Project development costs” amounted to ₱481,374,154 and ₱300,858,846 as of December 31, 2012 and 2011, respectively (see Note 17).

Under BRHI’s Provisional License with PAGCOR, BRHI has committed to invest at least US\$1.0 billion in the Project. In the event that the peso devaluates, the value of the dollar against the peso shall be limited to a maximum of 46:1. The investment commitment includes the lease for the use of the land of PAGCOR (see Note 17), cost related to securing development rights, construction, equipment, development costs, financing costs, working capital costs, and all other expenses directly related to the completion and operation of the casino. The Provisional License also requires BRHI to fully invest and utilize US\$400.0 million within two years from April 8, 2009, the date of issuance of the Provisional License, to comply with the aforementioned 40% utilization requirement. On November 16, 2009, PAGCOR approved BRHI’s request for an additional three years extension of the original two years compliance period with respect to the 40% of the total investment commitment. As a result, BRHI has been allowed an extension of up to five years from April 8, 2009 issuance of the Provisional License to comply with the aforementioned 40% utilization requirement.

Advances to contractors pertain to advance payments to various contractors for gaming equipment, hotel furniture and fixtures, operating equipment and other gaming and hotel equipment related to the development of hotel and gaming facility of Solaire Manila. This is shown separately in the Group’s statements of financial position.

9. Property and Equipment

This account consists of:

	2012				
	Office Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Office and Communication Equipment	Total
Cost					
Balances at beginning of year	₱1,420,458	₱9,735,214	₱8,560,629	₱2,609,195	₱22,325,496
Additions	4,906,865	25,437,550	40,919,378	121,261,736	192,525,529
Balances at end of year	6,327,323	35,172,764	49,480,007	123,870,931	214,851,025
Accumulated Depreciation and Amortization					
Balances at beginning of year	619,997	1,076,042	3,413,675	652,258	5,761,972
Depreciation and amortization (see Note 16)	1,277,504	4,997,912	14,010,458	13,637,209	33,923,083
Balances at end of year	1,897,501	6,073,954	17,424,133	14,289,467	39,685,055
Carrying Value	₱4,479,821	₱29,098,810	₱32,055,874	₱109,581,464	₱175,165,970



	2011				
	Office Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Office and Communication Equipment	Total
Cost					
Balances at beginning of year	₱1,352,360	₱3,570,536	₱4,456,361	₱1,091,797	₱10,471,054
Additions	68,098	6,164,678	4,104,268	1,517,398	11,854,442
Balances at end of year	1,420,458	9,735,214	8,560,629	2,609,195	22,325,496
Accumulated Depreciation and Amortization					
Balances at beginning of year	160,974	217,217	710,941	100,309	1,189,441
Depreciation and amortization (see Note 16)	459,023	858,825	2,702,734	551,949	4,572,531
Balances at end of year	619,997	1,076,042	3,413,675	652,258	5,761,972
Carrying Value	₱800,461	₱8,659,172	₱5,146,954	₱1,956,937	₱16,563,524

10. Investment in an Associate and Other Noncurrent Assets

Investment in an Associate

This account represents Sureste's 48% interest in Monte Oro Resources and Energy, Inc. (MOREI) which was accounted for using the equity method in the consolidated financial statements.

On October 13, 2011, Sureste declared and transferred to PMHI its investment in 899,872,627 common shares of MOREI, with a carrying value of ₱650,151,604, as property dividends (see Notes 13 and 15).

Subsequently, on November 29, 2011, Sureste entered into a deed of assignment with PMHI, wherein Sureste assigned its rights, title and interests in the remaining 214,762,124 common shares of MOREI to PMHI for a consideration of ₱227,493,710, resulting in a gain of ₱72,329,595.

As of December 31, 2011, Sureste has no remaining investment in MOREI.

The details and movements of the investment in an associate as of and for the years ended December 31, 2011 and 2010 follows:

	2011	2010 (Unaudited)
Investment cost:		
Balance at beginning of year	₱1,114,634,751	₱2,266,631,324
Net capital reduction	—	(1,151,996,573)
	1,114,634,751	1,114,634,751
Add/Less accumulated equity in net gains (losses):		
Balance at beginning of year	(299,385,896)	(161,956,191)
Equity in net gains (losses)	(9,933,136)	1,094,404,807
Dividend income	—	(1,231,834,512)
	(309,319,032)	(299,385,896)
	805,315,719	815,248,855
Less disposals:		
Declared as property dividends	650,151,604	—
Transferred to PMHI through deed of assignment	155,164,115	—
	₱—	₱815,248,855



Other Noncurrent Assets

This account consists of:

	2012	2011
Prepaid debt issue costs	₱87,668,781	₱87,390,526
Operating equipment	46,505,341	–
Noncurrent portion of security deposit	6,530,860	4,867,117
Others	1,016,895	2,183,090
	₱141,721,877	₱94,440,733

Prepaid debt issue costs primarily pertain to documentary stamp tax and front end fee on the undrawn balance of the loan facilities. Such amount will be presented in the consolidated statements of financial position as reduction from long-term debt upon drawdown and will be amortized over the term of the loan.

Operating equipment pertains to linen, china, glassware and other kitchen wares purchased by the Company during the year, to be amortized over a period of two to three years upon opening of the hotel in March 2013.

11. Payables and Other Current Liabilities

This account consists of:

	2012	2011
Payable to contractors and suppliers	₱2,875,131,741	₱206,212,919
Current portion of accrued rent (see Note 17)	232,087,659	237,528,248
Accrued pre-opening expenses	101,757,850	13,152,000
Withholding tax payable	13,809,012	13,169,986
Accrued salaries and benefits	9,960,738	21,185
Income tax payable	–	70,106
Others	27,034,507	19,793,020
	₱3,259,781,507	₱489,947,464

Accrued rent arises from the recognition of lease on a straight line basis. Lease payments that are due within one year are presented as “Current portion of accrued rent”. The noncurrent portion is presented separately in the consolidated statements of financial position.

Payable to contractors and suppliers, accrued pre-opening expenses, withholding tax payable, accrued salaries and benefits, and other payables are normally settled within one year.

12. Long-term Debt

This account consists of:

	2012	2011
Long-term debt	₱8,266,000,000	₱2,490,000,000
Less unamortized debt discount	(89,893,418)	(67,940,553)
	₱8,176,106,582	₱2,422,059,447



The movements in unamortized debt discount follow:

	2012	2011
Balance at beginning of year	₱67,940,553	₱-
Additions (net of prepayment option value)	32,588,403	73,127,691
Amortization capitalized as project development costs	(10,635,538)	(5,187,138)
Balance at end of year	₱89,893,418	₱67,940,553

Future repayment of the principal follows:

	2012	2011
After one year but not more than five years	₱5,172,150,000	₱951,944,882
Beyond five years	3,093,850,000	1,538,055,118
	₱8,266,000,000	₱2,490,000,000

On January 24, 2011, Sureste and BRHI entered into an aggregate of ₱9.87 billion (₱7.62 billion for Sureste and ₱2.25 billion for BRHI), seven-year term loan facilities with Banco de Oro Unibank, Inc. (the Lender or BDO) as the lender to finance the construction of the hotel, gaming and entertainment facility, including but not limited to purchase of furniture, fixture and equipment and payment of consultants. Sureste's loan has an escrow portion in the amount of ₱2.25 billion, which is secured by the assignment and hold-out on the escrow account maintained by BRHI as required under the Provisional License from PAGCOR (see Note 7). On April 4, 2012, Sureste's loan agreement with BDO was amended to, among others, provide for an additional ₱4.73 billion loan facility, making an aggregate available facility for Sureste of ₱12.35 billion as of December 31, 2012.

The principal is payable over seven years in 16 consecutive quarterly installments on each repayment date commencing on the 39th month from the initial drawdown date while the interest on the unpaid principal amount shall be paid in quarterly payments from the initial drawdown date. The loan bears an interest rate based on a spread of 1% over the 3-month PDST-F rate with respect to the escrow portion of Sureste's loan in the amount of ₱2.25 billion and 3% over the 3-month PDST-F rate with respect to the portion not constituting the escrow portion in the amount of ₱12.35 billion.

Sureste and BRHI are obliged to pay, on each date of drawdown, for the first three years of the facilities, a commitment fee equivalent to 0.8% per annum for the first year and 0.5% per annum for the second and third years, based on the undrawn portion of the commitment.

As at December 31, 2012 and 2011, the amount drawn under these facilities amounted to ₱8.3 billion and ₱2.5 billion, respectively. Outstanding long-term debt, net of unamortized debt discount, as of December 31, 2012 and 2011 amounted to ₱8,176,106,582 and ₱2,422,059,447, respectively.

All legal and professional fees, including commitment fee, incurred in relation to the loan, totaling ₱189,187,013 and ₱73,127,691 as of December 31, 2012 and 2011, respectively, were capitalized. Debt issue costs were amortized using EIR method. For the years ended December 31, 2012 and 2011, amortization of debt issue costs amounting to ₱10,635,538 (net of interest accretion on the option of ₱10,769,365) and ₱5,187,138 and interest charges amounting ₱263,667,757 and ₱72,794,515, respectively, were capitalized as part of "Project development costs" (see Note 8).



The loan provides that Sureste/BRHI is permitted to make optional prepayments anytime until maturity. Upon prepayment, the Sureste/BRHI shall pay the principal, accrued interest and penalty based on the amount prepaid in the following percentages: (i) 3% for years 1 to 3 from the initial borrowing date; (ii) 2% for year 4; (iii) 1% for year 5; and (iv) 0.5% for year 6.

The prepayment option was assessed as not clearly and closely related to the loan. As at inception date and December 31, 2011, the value of the prepayment option is not material. Upon additional drawdown in 2012, the option was bifurcated at each drawdown date of the loan, resulting to a value of the bifurcated prepayment option of ₱83,470,919 which was offset against additions to capitalized debt issue costs in 2012. Accretion of interest on the option amounting to ₱10,769,365 in 2012 was offset against amortization of debt issue costs. Fair value losses from the prepayment option are recognized as "Mark-to-market loss" and is separately presented in the 2012 consolidated statement of comprehensive income.

Unamortized debt discount, representing capitalized debt issue costs and the value of the bifurcated derivatives arising from embedded prepayment option, is presented as deduction from the Group's long-term debt.

Debt Covenant

Sureste's and BRHI's debt instruments contain certain restrictive covenants that require Sureste and BRHI to comply with specified financial ratios and other financial tests at quarterly measurement dates. Sureste's and BRHI's loan agreement includes compliance with certain financial ratios such as debt-to-equity and debt service coverage ratios. Sureste and BRHI are required to maintain a debt service coverage ratio of at least 1.2 times on each testing date after the commencement of the gaming facility's commercial operations while a maximum of debt-to-equity ratio of 0.61 times and 2.33 times for BRHI and Sureste, respectively, on each testing date. As of December 31, 2012 and 2011, Sureste and BRHI are in compliance with the debt covenants.

Collateral

Under the loan agreement, collateral includes the following:

i) Assignment of Accounts and Receivables

To ensure the payment by Sureste/BRHI of the Loan, Sureste/BRHI shall assign, convey, set over and transfer unto the Security Trustee absolutely and unconditionally all of its respective right, title and interest in all monies standing in its Debt Service Payment Account (DSPA) and Debt Service Reserve Account (DSRA) required to be maintained by the Group to service interest and principal payments, all monies standing in the Escrow Account (see Note 7), project receivables, as well as the proceeds, products and fruits of the said accounts.

The level of funds standing in the DSRA on any date commencing on the initial drawdown date shall be at least equal to the amount of principal due on an immediately succeeding repayment date and two times the interest payable on an immediately succeeding interest payment date.

The level of funds standing in the DSPA commencing on the initial drawdown date shall be at least equal to (i) on the 60th day from the start of the relevant interest period, at least fifty percent (50%) of all amounts payable on an immediately succeeding payment date; and (ii) on or before 10:00 am of a payment date, at least one hundred percent (100%) of all amounts payable on such payment date.



In the event the funds in the DSPA fall below the DSPA maintaining balance, and as a result thereof, the funds standing in the DSPA becomes insufficient to cover payments for the relevant payment date, Banco de Oro Unibank, Inc. - Trust and Investment Group (the Security Trustee) shall, not later than 12:00 pm on such relevant payment date, debit from the DSRA such amount as would be necessary to pay for the interest or principal falling due on such payment date.

As of December 31, 2012 and 2011, the Group's debt collateral accounts balances are as follows (see Note 4):

	2012	2011
Debt service reserve account	₱194,286,519	₱57,175,143
Debt service payment account	441,425	68,455
	₱194,727,944	₱57,243,598

ii) Assignment of Project Agreements

Sureste/BRHI shall assign, convey, set over and transfer absolutely to the Security Trustee all of its rights, title and interest, present and future, in and into the Future Project Agreements, the (a) benefit of all claims for damages for the breach by any Counterparty of any term of any of the Project Agreements and all warranties and indemnities contained therein; (b) the right to terminate any of the Project Agreements or agree to the suspension thereof; (c) the right to compel performance of any of the Project Agreements; (d) the right to agree to any variation of the terms of any of the Project Agreements; and (e) the right to pursue any action, proceeding, suit or arbitration arising in relation to any of the rights assigned and to enforce such rights in the name of Sureste/BRHI.

iii) Mortgage

As a security for timely payment, discharge, observance and performance of the loan, Sureste/BRHI (a) establishes in favor of the Security Trustee for the benefit of the Lender, a first ranking real estate mortgage on the Present Real Assets, i.e. leasehold rights over the phase 1 PAGCOR Land covered by the PAGCOR Lease (see Note 17), and Future Real Assets, i.e. the hotel and gaming facilities; and (b) establish in favor of the Security Trustee for the benefit of the Lender, a first ranking Chattel Mortgage on the Present and Future Chattels.

iv) Continuing Suretyship

In consideration of the loan and for other valuable consideration receipt of which the Surety, i.e, Sureste/BRHI, acknowledges, Sureste/BRHI agrees that it shall be solidarily liable with BRHI/Sureste to the Lender and the Security Trustee for the payment of the loan.

v) Pledge

The Pledgor, i.e. BRHI shareholders, shall assign, transfer, deliver, set over and grant to the Security Trustee, a continuing security interest of first priority in, all of its right, title and interest in and to the Pledged Shares, i.e. BRHI shares, and the Additional Pledged Shares, whether now owned or existing or hereafter acquired.

In 2008, the Group obtained a ₱1.0 billion loan from a local bank, which was fully paid as of December 31, 2010. Interest paid related to this loan amounted to ₱27,965,960 in 2010.



13. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) subsidiaries; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that give them significant influence over the Group and close members of the family of any such individual.

As of December 31, 2012 and 2011, related party balances are as follows:

Related Party	Nature/Terms of Transaction	Transaction Amounts		Outstanding Receivable (Payable)	
		2012	2011	2012	2011
PMHI, <i>ultimate parent company</i>	1. Noninterest-bearing and unsecured cash advances	₱-	₱319,716,760	₱-	₱319,716,760
	2. Property dividend declaration (see Note 15 and item a below)	-	687,362,960	-	-
	3. Sale of investment in MOREI (see Note 10 and item b below)	-	227,493,710	-	-
Bloombury Investments Limited (BIL)	Reimbursement of payment to Steelman (see Note 18 and item c below)	-	56,776,102	-	-
Officers and employees	Noninterest-bearing and unsecured cash advances (see Note 5)	39,133,275	623,205	31,729,902	623,205
Key management personnel	1. Short-term employee benefits (see item d below)	46,486,757	-	-	-
	2. Post-employment benefits (see item d below)	1,037,939	-	(1,037,939)	-

Other information related to the above transactions follows:

- On October 13, 2011, Sureste declared and distributed its investment in MOREI and its investment properties as property dividends to its ultimate parent, PMHI (see Note 15). The transactions were accounted for at the carrying amount of the assets distributed as the non-cash assets declared as dividends are ultimately controlled by the same party, PMHI, both before and after the distribution.
- On November 29, 2011, Sureste sold its remaining interest in MOREI to PMHI with a carrying value of ₱155,164,115, resulting to a gain on sale of ₱72,329,595 (see Note 10).
- On April 22, 2010, BIL, a commonly controlled entity, and BRHI engaged Steelman Partners, LLC to provide the master plan design concept, construction administration and consultancy services for the Project (see Note 18).
- As of December 31, 2011, no compensation is paid to key management personnel since the management of the Group was handled by the officers of PMHI.



14. Retirement Cost

The Group has an unfunded and noncontributory defined benefit pension plan covering substantially all of its regular employees. The cost of providing benefits is valued every year by a professional qualified independent actuary in compliance with PAS 19. Benefits are dependent on the years of service and the respective employees' compensation and are determined using the projected unit credit method.

The following tables summarize the components of retirement expense recognized in the consolidated statement of comprehensive income and the retirement liability recognized in the consolidated statement of financial position as of and for the year ended December 31, 2012:

	Amount
Retirement expense -	
Current service cost	₱11,765,800
Retirement liability -	
Present value of defined benefit obligation	₱11,765,800
Changes in the present value of defined benefit obligation:	
Balance at beginning of year	₱-
Current service cost	11,765,800
Balance at end of year	₱11,765,800

The principal assumptions used in determining the Group's retirement liability as of December 31, 2012 are shown below:

	Sureste	BRHI
Discount rate	6.08%	6.04%
Future salary rate increase	5.00%	5.00%

15. Equity

a. Capital Stock

Capital stock consists of:

	2012		2011	
	Shares	Amount	Shares	Amount
Common stock - ₱1 par value				
Authorized	15,000,000,000	₱15,000,000,000	120,000,000	₱120,000,000
Issued	10,589,800,556	10,589,800,556	80,000,000	80,000,000

The movement on issued shares is as follows:

	2012	2011
Balance at beginning of year	80,000,000	80,000,000
Issuance	10,509,800,556	-
Balance at end of year	10,589,800,556	80,000,000



On February 6, 2012, the stockholders of the Parent Company approved the increase in its authorized capital stock from ₱120.0 million divided into 120 million shares to ₱15.0 billion divided into 15 billion shares both with a par value of ₱1 per share. The increase in authorized capital stock was approved by the SEC on February 27, 2012 (see Note 1).

After the increase in authorized capital stock, PMHI subscribed to additional shares in Bloomberry. After the said subscription, PMHI owns 7,325,656,500 shares (including 60,000,000 shares purchased in January 2012) (see Note 1) constituting 78.84% ownership in Bloomberry. Other investors subscribed to 1,946,184,056 Bloomberry shares out of the said increase.

On May 1, 2012, PMHI offered and sold (the “Offer”) 1,179,963,700 of its existing Bloomberry common shares (the “Offer Shares”) at ₱7.50 per Offer Share (the “Offer Price”). PMHI has agreed to subscribe for, and Bloomberry has agreed to issue new shares in an amount equal to the aggregate number of Offer Shares to be sold by PMHI in the Offer and in accordance with the Over-Allotment Option (as defined below) at a price equal to the Offer Price, net of expenses incurred relative to the Offer.

In connection with the Offer, PMHI granted CLSA Limited, in its role as stabilizing agent (the “Stabilizing Agent”) an option, exercisable in whole or in part for a period of 30 days from and including May 2, 2012, to purchase up to 10% of the total number of Offer Shares at the Offer Price, on the same terms and conditions as the Offer Shares, to cover over-allotments (the “Over-Allotment Option”).

On May 7, 2012, PMHI subscribed to 1,179,963,700 new Bloomberry shares in replacement to the Offer Shares. Consequently, on May 31, 2012, the Stabilizing Agent exercised the Over-Allotment Option to purchase 117,996,300 shares, equivalent to 10% of the total number of Offer Shares. Additional paid-in capital arising from said transactions amounted to ₱8,024,755,840.

Transaction costs incurred relative to issuance of shares in 2012, amounting to ₱76,426,104, were charged against the additional paid-in capital in the 2012 consolidated statement of financial position.

On December 18, 2012, PMHI purchased an additional 3,000,000 Bloomberry shares from the market. Consequently, on December 28, 2012, Global Gaming Philippines, LLC (GGAM) exercised its option to acquire 921,184,056 shares of Bloomberry from PMHI (see Note 18).

After said increase, subscriptions, offering and acquisitions, the shareholders of the Parent Company as of December 31, 2012 are as follows:

Shareholders	Percentage of Ownership
PMHI (see Note 1)	60.51%
GGAM	8.70%
Quasar Holdings, Inc.	8.70%
Falcon Investco Holdings, Inc.	2.12%
Public	19.97%
Total	100.00%



Set out below is Bloomberry's track record of registration of its securities:

Date of Approval	Number of Shares		Issue/ Offer Price
	Authorized	Issued/ Subscribed	
May 3, 1999*	120,000,000	80,000,000	₱1.00
February 27, 2012**	15,000,000,000	8,290,656,500	1.00

*Date when the registration statement covering such securities was rendered effective by the SEC

**SEC approval of the increase in the authorized capital stock; Offer Shares sold at ₱7.50 on May 1, 2012

As of December 31, 2012 and 2011, Bloomberry has a total shareholder of 40 and 21, respectively, on record. For this purpose, public shares held under PCD Nominee are counted as two (one for PCD Nominee - Filipino and another for PCD Nominee - Foreign).

b. Dividend declaration

On October 13, 2011, Sureste declared and issued to PMHI its investment in 899,872,627 shares of MOREI amounting to ₱650,151,604 as property dividends. On the same date, Sureste declared its entire investment properties with a carrying value of ₱37,211,356 as property dividends. Depreciation and amortization of these investment properties in 2011 and 2010 amounted to ₱870,684 and ₱1,492,605, respectively.

16. Costs and Expenses

This account consists of:

	2012	2011	2010 (Unaudited)
Pre-opening expenses (see Notes 17 and 18)	₱318,786,484	₱46,467,185	₱2,677,247
Salaries and benefits (see Note 14)	222,217,447	3,437,378	908,734
Taxes and licenses	78,335,223	64,272,550	448,475
Outside services and charges	70,208,098	8,914,057	26,465,328
Communication and transportation	38,396,448	7,604,662	2,519,707
General office expenses	37,162,265	5,321,586	406,731
Depreciation and amortization (see Notes 9 and 15)	33,923,083	5,443,215	2,682,046
Utilities	10,708,243	453,880	—
Repairs and maintenance	2,082,448	2,163,511	1,602,772
Interest expense (see Note 12)	—	—	27,965,960
Others	7,537,870	5,124,147	502,454
	₱819,357,609	₱149,202,171	₱66,179,454

17. Lease Agreements

As a Lessee

On May 7, 2010, BRHI entered into a contract of lease with PAGCOR to lease 83,084 square meters of land for the construction of the hotel, gaming and entertainment facility. The lease period shall be for about 23 years which shall commence upon the execution of the contract and shall be co-terminus with the term of lessor as provided in the PAGCOR charter which will expire on July 11, 2033, unless sooner revoked, rescinded or cancelled. The annual lease rental is based



on the schedule provided for in the agreement. No annual lease payments are due during the first two (2) years of the lease period. Rental shall have 5% annual escalation rate starting on the 18th year of the lease period. Annual lease rental paid after the grace period in 2012 amounts to ₱237,528,248.

BRHI has the option to purchase the entire leased property at any time under such terms and conditions as may be agreed upon with the lessor, and subject to relevant bidding laws governing the disposal and/or sale of government property including real estate property. BRHI or its designated assignee shall also have the right of first offer and a right to match the terms and conditions of a bona fide offer to purchase the leased property made by a third party.

On May 20, 2011, BRHI and Sureste entered into a deed of assignment whereby BRHI assigned to Sureste all its rights and interest as a lessee under the contract of lease with PAGCOR. Such deed of assignment was approved by PAGCOR on May 26, 2011. Pursuant to the deed of assignment, Sureste undertakes and commits that it will faithfully observe and fully comply with (a) all of the representations, covenants and undertakings of BRHI contained in the contract of lease and (b) the rules and regulations of PAGCOR, to the extent that such representations, covenants, undertakings, rules and regulations are, or may be, applicable to the lessee under the contract of lease. BRHI shall remain solidarily liable to PAGCOR for Sureste's compliance with all the obligations and liabilities of the lessee under the contract of lease.

In December 2012, BRHI and Sureste agreed to amend the above deed of assignment. Pursuant to the amended deed of assignment and with the consent of PAGCOR, BRHI assigned 89% of its leasehold rights over the leased land to Sureste and retained the 11% of such rights.

Rent expense related to this lease, capitalized as part of "Project development costs" amounted to ₱481,374,154 and ₱300,858,846 as of December 31, 2012 and 2011, respectively (see Note 8).

Future minimum lease payments under this operating lease follow:

	2012	2011
Within one year	₱232,087,659	₱237,528,248
Beyond one year but not later than five years	873,944,743	895,707,100
Beyond five years	2,838,377,314	3,048,702,616
	₱3,944,409,716	₱4,181,937,964

BRHI also entered into a contract to lease its office space for one and a half years commencing on February 16, 2011 until August 15, 2012 renewable upon the joint written agreement of the parties under terms and conditions mutually agreed by the parties. The said contract has expired in 2012 and was not renewed. Advance rental and security deposit related to this lease amounted to nil and ₱212,304 as of December 31, 2012 and 2011, respectively (see Note 6).

In 2012, BRHI entered into a lease contract for suites in the SM Arena for three years commencing May 21, 2012 until May 21, 2015 renewable upon the joint written agreement of the parties under terms and conditions mutually agreed by the parties. BRHI also entered into other various lease contracts for a period of one year renewable annually. Advance rental and security deposits related to these leases amounted to ₱23,696,848 and ₱31,098,699 as of December 31, 2012 (see Notes 6 and 10).

Rent expense charged to operations, presented as part of "Pre-opening expenses", amounted to ₱33,750,985 and ₱4,239,591 in 2012 and 2011, respectively (see Note 16).



Future minimum lease payments under these operating leases follows:

	2012	2011
Within one year	₱58,631,870	₱3,273,881
Beyond one year but not later than five years	30,171,697	1,007,813
	₱88,803,567	₱4,281,694

As a Lessor

In 2004, Sureste entered into a 10-year lease agreement as a lessor of a property from December 15, 2004 to December 14, 2014. As of December 31, 2011, the lease agreement was effectively terminated as the investment property has been transferred to PMHI (see Notes 13 and 15). Sureste also leases its parking space for a period of one year renewable annually.

Total rental income recognized amounted to nil, ₱4,345,277 and ₱3,832,651 for the years ended December 31, 2012, 2011 and 2010, respectively.

18. Commitments

- a. Under the license agreement with PAGCOR, BRHI has the following commitments, among others:
 - Within 30 days, to submit a bank guarantee or LC or surety bond in the amount of ₱100.0 million to guarantee BRHI's completion of the project and in subject to forfeiture in case of delay in construction which delay exceeds 50% of the schedule. It will be released upon completion of the project.
 - Seven days prior to commencement of operation of the Casino, to secure a surety bond in favor of PAGCOR in the amount of ₱100.0 million to ensure prompt and punctual remittance/payment of all license fees.
 - License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the Gross Gaming Revenues: (a) 15% high roller tables; (b) 25% non-high roller tables; (c) 25% slot machines and electronic gaming machines; and (d) 15% Junket operation.
 - In addition to the above license fees, BRHI is required to remit 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the BRHI and approved by PAGCOR. BRHI has established Bloomberry Cultural Foundation Inc. for this purpose.
 - PAGCOR may collect a 5% fee of non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not be subject to the 5% except rental income received from retail concessionaires.
 - Grounds for revocation of the license, among others, are as follows: (a) failure to comply with material provision of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) has become bankrupt, insolvent; (d) delay in construction of more than 50% of the schedule; and (e) if debt-to-equity ratio is more than 70:30. As of December 31, 2012 and 2011, BRHI has complied with the required debt-to-equity ratio.



- b. The Group has entered into the following significant contracts related to the Project:

Steelman Partners, LLC

On April 22, 2010, BIL and BRHI engaged Steelman Partners, LLC, to provide the master plan design concept, construction administration and consultancy services with a total agreed contract price of US\$6,450,000. The engagement of Steelman Partners, LLC expired on October 22, 2012. As of December 31, 2012 and December 31, 2011, BRHI has effectively paid ₱399,457,638 and ₱284,594,516 respectively, to Steelman Partners, LLC (see Note 13).

DMCI

On January 18, 2011, Sureste entered into a contract with DMCI to construct its hotel and casino facility. The contract costs amounted to ₱8.6 billion, exclusive of VAT but inclusive of import duties and all other necessary duties, fees and taxes, and are expected to be completed within a 630 calendar day period. As of December 31, 2012 and 2011, Sureste has paid ₱8,830,079,897 and ₱2,781,606,840, respectively, to DMCI. As of December 31, 2012 and 2011, advances to DMCI amounted to ₱956,681,008 and ₱114,308,567, respectively (see Note 8).

D' Consult International, Inc.

On January 1, 2010, Sureste entered into a consultancy agreement with D' Consult, International, Inc. (DCI - an affiliate of Design Coordinates, Inc.) for engineering consultancy and construction supervision services. Sureste agreed to pay ₱183.0 million fixed fee, in addition to variable fees based on agreed rates for additional services performed. As of December 31, 2012 and 2011, Sureste has paid ₱272,381,986 and ₱136,300,800 to DCI, respectively.

Global Gaming Philippines, LLC

On September 9, 2011, Sureste and BRHI jointly entered into a Management Services Agreement (MSA) with Global Gaming Philippines, LLC (GGAM) for the technical assistance on all aspects of planning, design, layout, and construction of the Project and for services related to recruitment, selection, and hiring of employees for the Project. GGAM through the Management Team shall also provide management and other related services upon commencement of the Project's commercial operations. Fees per contract amounts to US\$100,000 per month for the technical assistance and US\$75,000 monthly for services related to the pre-opening operations. Upon commencement of the commercial operations and five years thereafter (after which the contract expires unless GGAM extends it for another 5 years), the Group will pay GGAM annual fees equivalent to certain percentages of Sureste's and BRHI's EBITDA. As of December 31, 2012 and 2011, the Group has paid ₱86,185,104 and nil, respectively.

Under the MSA, GGAM was granted the option, from the date of execution of the MSA, to purchase up to 921,184,056 shares, equivalent to 9.91% of Bloomberry's outstanding shares (prior to Bloomberry's top-up equity offering) from PMHI at a purchase price equivalent to ₱1.00 per share plus US\$15 million assuming full exercise of the option or failing which, adjusted pro rata. In December 2012, GGAM exercised its option to acquire 921,184,056 shares of Bloomberry from PMHI.

The MSA also provides that GGAM is entitled to an agreed upon termination fee if, as a result of (i) any assignment of shares whereby the ultimate controlling shareholder of the Group ceases to be one, or (ii) a sale, assignment or transfer of Solaire Manila to third parties, or (iii) a sale, assignment or transfer of the PAGCOR License during the term of the MSA, (a) the new controlling shareholder, owner, assignee or transferee of Solaire Manila terminates



the MSA without fault on the part of GGAM; or (b) the new controlling shareholder, owner, assignee or transferee of Solaire Manila is not acceptable to GGAM as a result of insufficient financial resources, is found by PAGCOR to be unsuitable to hold a gaming license, is of bad moral character, has been convicted of a felony, or would cause the denial or suspension of any license or permit of GGAM.

GGAM will not be entitled to a termination fee if the grounds for such termination occur subsequent to the fourth fiscal year of the MSA, or if GGAM has not complied with the performance standards set out by the MSA for the prior fiscal year. Termination fees shall be equivalent to US\$11 million during the first year of operations, and a percentage of the total fees owed to GGAM over the previous 12 months after the first year of operations.

Hospitality Purchasing Group International, LLC

On September 1, 2011, Sureste entered into a consultancy agreement for FF&E and OS&E Sourcing and Procurement Services with Hospitality Purchasing Group International, LLC, (HPGI) with an agreed contract price of US\$442,000. The contract expired on December 12, 2012. As of December 31, 2012 and 2011, Sureste has paid HPGI ₱14,491,663 and ₱5,657,600, respectively.

19. Income Taxes

- a. Net provision for (benefit from) income tax consists of:

	2012	2011	2010 (Unaudited)
Current	₱–	₱70,106	₱31,912
Deferred	(68,437,939)	(16,578,520)	–
	(₱68,437,939)	(₱16,508,414)	₱31,912

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

	2012	2011	2010 (Unaudited)
Provision for (benefit from) tax at statutory tax rate of 30%	(₱226,912,997)	(₱4,154,613)	₱258,470,808
Tax effects of:			
Income subject to final tax, non-taxable income and non-deductible expenses	(35,762,118)	(21,643,540)	(266,641,189)
Net movement in unrecognized deferred income tax assets and other adjustments	194,237,176	9,289,739	8,202,293
	(₱68,437,939)	(₱16,508,414)	₱31,912



- b. The components of the Group's recognized net deferred tax assets are as follows:

	2012	2011
Deferred tax assets:		
NOLCO	₱94,000,868	₱14,482,049
Accrued rent under PAS 17	41,378,399	72,846,711
Option liability	6,064,345	—
Capitalized interest on option	1,225,157	—
Retirement liability	108,756	—
MCIT	102,018	102,018
	142,879,543	87,430,778
Deferred tax liabilities:		
Capitalized rent	(51,153,706)	(70,852,258)
Derivative asset	(5,532,926)	—
	₱86,192,911	₱16,578,520

- c. The Group has the following temporary differences for which no deferred tax assets/liabilities have been recognized since management believes that it is not probable that these will be realized in the near future because BRHI is taking the position that it is exempt from income tax when it starts commercial operations.

	2012	2011
NOLCO	₱962,133,844	₱329,561,885
Foreign exchange losses - net	111,440,274	180,054,157
Capitalized rent to be transferred to BRHI	(52,951,157)	—
Derivative asset	(42,361,186)	—
Retirement liability	11,403,280	—
	₱989,665,055	₱509,616,042

- d. Sureste has the following temporary differences for which no deferred income taxes have been recognized since these are expected to reverse during its income tax holiday:

	2012	2011
Accrued rent under ITH	₱124,091,050	₱43,411,467
Capitalized rent under ITH	(47,983,376)	(12,034,354)
Option liability under ITH	47,167,127	—
Prepaid rent under ITH	27,711,629	—
Foreign exchange losses - net	1,509,428	261,404
Capitalized interest under ITH	1,149,226	—
	₱153,645,084	₱31,638,517

- e. As of December 31, 2012, the Group's NOLCO can be carried forward and claimed as deduction from regular taxable income as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2012	2015	₱959,462,330	₱—	₱—	₱959,462,330
2011	2014	253,241,734	—	—	253,241,734
2010	2013	62,766,007	—	—	62,766,007
		₱1,275,470,071	₱—	₱—	₱1,275,470,071



- f. The carryforward benefits of MCIT amounting to ₱102,018 as of December 31, 2011 can be claimed as tax credits against future income taxes payable as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2011	2014	₱70,106	₱—	₱—	₱70,106
2010	2013	31,912	—	—	31,912
		₱102,018	₱—	₱—	₱102,018

- g. Sureste is registered with the PEZA as an Ecozone Tourism Enterprise. The scope of registered activity is limited to the construction, development, management and operation of a hotel and entertainment complex at the Bagong Nayong Pilipino - Entertainment City Manila, to take over and undertake the project originally approved by the PEZA Board for BRHI and the importation of raw materials, machinery, equipment, tools, goods, wares, articles or merchandise directly used in its registered operations.

Under the PEZA Registration Agreement, Sureste is entitled to:

- i) Four-year ITH on income solely derived from servicing foreign clients for its operations limited to accommodation and other special interest and attraction activities/ establishments. Upon expiry of the ITH period, Sureste shall pay 5% Gross Income Tax, in lieu of all national and local taxes; and
- ii) Tax and duty-free importation of capital equipment required for the technical viability and operation of the registered facilities/activities.

Any income from activities of Sureste outside of the PEZA-registered activities is subject to regular corporate income tax.

- h. Section 13(2)(a) of PD No. 1869 (the PAGCOR Charter) grants PAGCOR an exemption for tax, income or otherwise, as well as exemption from any form of charges, fees, levies, except a 5% franchise tax on the gross revenue or earnings derived by PAGCOR on its operations. Management believes that the tax benefits granted to PAGCOR under its charter inure to the benefit of, and extend to corporations, associations and agencies, individuals with whom PAGCOR has any contractual agreement in accordance with Section 13(2)(b) of the PAGCOR Charter which provides that the exemptions granted for earnings derived from the operations conducted under the franchise specifically from the payment of any tax, income or otherwise, as well as any form of charges, fees or levies, shall inure to the benefit of and extend to the corporations, associations, agencies or individuals with whom PAGCOR, or operator has any contractual relationship in connection with the operations of the casino authorized to be conducted under this franchise and to those receiving compensation of other remuneration from PAGCOR or operator as a result of essential facilities furnished and/or technical services rendered to PAGCOR or operator.



20. Financial Assets and Liabilities and Financial Risk Management Objectives and Policies

The carrying values and the estimated fair values of the Group's financial assets and liabilities as at December 31, 2012 and 2011 are as follows:

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents:				
Cash on hand	₱135,000	₱135,000	₱97,405	₱97,405
Cash in banks	1,324,729,505	1,324,729,505	109,964,432	109,964,432
Temporary cash investments	6,317,339,899	6,317,339,899	405,994,229	405,994,229
Debt collateral accounts	194,727,943	194,727,943	57,243,598	57,243,598
Current portion of restricted cash	42,832,595	42,832,595	599,073,079	599,073,079
Due from a shareholder	—	—	319,716,760	319,716,760
Receivables - accrued interest	4,374,280	4,374,280	6,818,089	6,818,089
Current portion of security deposit (presented as part of "Prepayments and other current assets")	24,567,839	24,567,839	30,000	30,000
Restricted cash - net of current portion	2,182,037,610	2,182,037,610	2,254,579,896	2,254,579,896
Noncurrent portion of security deposit (presented as part of "Other noncurrent assets")	6,530,860	6,390,732	4,867,117	1,440,294
Financial assets at FVPL -				
Derivative asset	66,632,635	66,632,635	—	—
	₱10,163,908,166	₱10,163,768,038	₱3,758,384,605	₱3,754,957,782
Financial Liabilities				
Other financial liabilities:				
Payables and other current liabilities:				
Payable to contractors and suppliers	₱2,875,131,741	₱2,875,131,741	₱206,212,919	₱206,212,919
Accrued pre-opening expenses	101,757,850	101,757,850	13,152,000	13,152,000
Accrued salaries and benefits	9,960,738	9,960,738	21,185	21,185
Others	27,034,507	27,034,507	19,793,020	19,793,020
Long-term debt	8,176,106,582	8,176,106,582	2,422,059,447	2,422,059,447
	₱11,189,991,418	₱11,189,991,418	₱2,661,238,571	₱2,661,238,571

Cash and Cash Equivalents, Due from a Shareholder, Accrued Interest, Current Portion of Security Deposit, Restricted Cash and Payables and Other Current Liabilities. Carrying values approximate their fair values at reporting date due to the relatively short-term maturities of the transactions.

Noncurrent Portion of Security Deposit. The fair value of security deposit is the estimated future cash flows, discounted to present value using a credit-adjusted discount rate.

Derivative Asset. The fair value of derivative asset is determined using Binomial Option Pricing Model which allows for the specification of points in time until the option expiry date. This valuation incorporates inputs such as interest rates and volatility.

Long-term Debt. The carrying value approximates fair value because of regular repricing based on market conditions. The Group's variable rate long-term debt is repriced on a quarterly basis.



Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by source of inputs:

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

Level 2: inputs other than quoted prices included in *Level 1* that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs that are not based on observable market data or unobservable inputs.

As of December 31, 2012, the Group's embedded prepayment option is classified under Level 2 fair value measurement.

In 2012, there were no transfers between Level 1 and Level 2 fair value measurements and transfers into and out of the Level 3 fair value measurement.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist mainly of borrowings from a local financial institution and restricted cash, proceeds of which were used for financing the Group's capital expenditures and operations. The Group has other financial assets and financial liabilities such as cash and cash equivalents, due from a shareholder, receivables, accrued expenses and other current liabilities which arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, liquidity risk and credit risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt with floating interest rates.

Variable or floating rate debt is subject to cash flow interest rate risk. Repricing of variable rate debt is done on quarterly intervals.

A possible change in interest rates on long-term debt has no effect on income before income tax and equity as interests on long-term debt are capitalized as part of "Project development costs" (see Note 8).

Foreign Exchange Risk

Foreign exchange risk is the risk that the value of the Group's financial instrument will fluctuate due to changes in foreign exchange rates. The Group has recognized in the consolidated statements of comprehensive income net foreign exchange losses of ₱115,780,579, ₱393,846 and ₱196,692,176 on the revaluation of its US dollar cash and cash equivalents, restricted cash and accrued expenses for the years ended December 31, 2012, 2011 and 2010, respectively.

In the revaluation of its foreign currency-denominated financial assets and liabilities, the Group used the following Philippine peso against US dollar exchange rates as of December 31, 2012 and 2011:

	Peso to US Dollar
December 31, 2012	41.192
December 31, 2011	43.840



The Group's foreign currency-denominated monetary assets and liabilities as of December 31, 2012 and 2011, and their Philippine peso equivalent follow:

	2012		2011	
	US dollar	Peso	US dollar	Peso
Assets:				
Cash and cash equivalents	\$38,763	₱1,596,725	\$1,669,701	₱73,199,680
Restricted cash	41,016,877	1,689,567,197	41,370,989	1,813,704,153
Liabilities -				
Accrued expenses and other liabilities	(2,100,000)	(86,503,200)	(700,000)	(30,688,000)
	\$38,955,640	₱1,604,660,722	\$42,340,690	₱1,856,215,833

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, of the Group's income or loss before income tax as of December 31, 2012 and 2011. There is no other impact on the Group's equity other than those affecting other income or loss before income tax.

	Increase/Decrease in Exchange Rates (%)	Effect on Income/Loss before Income Tax Increase (Decrease)
2012	+3	22,691,343
	-3	(22,691,343)
2011	+3	415,461
	-3	(415,461)

Liquidity Risk

Liquidity risk is the potential of not meeting obligations as they become due because of an inability to liquidate assets or obtain funding. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

As part of its liquidity strategy, the Group will set aside cash to ensure that financial obligations will be met as they fall due. The Group has cash and cash equivalents and current portion of restricted cash totaling to ₱7,879,764,943 and ₱1,172,372,743 as of December 31, 2012 and 2011, respectively, that are allocated to meet the Group's liquidity needs.

The table below summarizes the maturity profile of the Group's financial assets and liabilities at and December 31, 2012 and 2011 based on contractual undiscounted payments.

	2012					Total
	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	More than 4 Years	
Loans and receivables:						
Cash on hand	₱135,000	₱-	₱-	₱-	₱-	₱135,000
Cash in banks	1,324,729,505	-	-	-	-	1,324,729,505
Temporary cash investments	6,317,339,899	-	-	-	-	6,317,339,899
Debt collateral accounts	194,727,944	-	-	-	-	194,727,944
Accrued interest	4,374,280	-	-	-	-	4,374,280
Security deposit	24,567,839	6,530,860	-	-	-	31,098,699
Restricted cash	42,832,595	2,182,037,610	-	-	-	2,224,870,205
	₱7,908,707,062	₱2,188,568,470	₱-	₱-	₱-	₱10,097,275,532



2012						
	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	More than 4 Years	Total
Other financial liabilities:						
Payable to contractors and suppliers	₱2,875,131,741	₱-	₱-	₱-	₱-	₱2,875,131,741
Accrued pre-opening expenses	101,757,850	-	-	-	-	101,757,850
Accrued salaries and benefits	9,960,738	-	-	-	-	9,960,738
Other payables	27,034,507	-	-	-	-	27,034,507
Long-term debt:						
Principal	-	435,050,000	1,036,650,000	1,638,250,000	5,156,050,000	8,266,000,000
Interest	355,805,413	423,760,557	433,997,925	356,796,856	284,195,836	1,854,556,587
	₱3,369,690,249	₱858,810,557	₱1,470,647,925	₱1,995,046,856	₱5,440,245,836	₱13,134,441,423

2011						
	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	More than 4 Years	Total
Loans and receivables:						
Cash on hand	₱97,405	₱-	₱-	₱-	₱-	₱97,405
Cash in banks	109,964,432	-	-	-	-	109,964,432
Temporary cash investments	405,994,229	-	-	-	-	405,994,229
Debt collateral accounts	57,243,598	-	-	-	-	57,243,598
Due from related parties	319,716,760	-	-	-	-	319,716,760
Accrued interest	6,818,089	-	-	-	-	6,818,089
Security deposit	30,000	4,867,117	-	-	-	4,897,117
Restricted cash	599,073,079	2,254,579,896	-	-	-	2,853,652,975
	₱1,498,937,592	₱2,259,447,013	₱-	₱-	₱-	₱3,758,384,605

Other financial liabilities:						
Payable to contractors and suppliers	₱206,212,919	₱-	₱-	₱-	₱-	₱206,212,919
Accrued pre-opening expenses	13,152,000	-	-	-	-	13,152,000
Accrued salaries and benefits	21,185	-	-	-	-	21,185
Other payables	19,793,020	-	-	-	-	19,793,020
Long-term debt:						
Principal	-	-	131,042,126	312,364,961	2,046,592,913	2,490,000,000
Interest	131,902,394	150,130,014	163,779,887	153,869,939	237,647,262	837,329,496
	₱371,081,518	₱150,130,014	₱294,822,013	₱466,234,900	₱2,284,240,175	₱3,566,508,620

Credit Risk

Credit risk is the risk that the Group will incur a loss arising from customers, clients or counterparties that fail to discharge their contracted obligations. The Group manages and controls credit risk by setting limits on the amount of risk that the Group is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Group's maximum exposure to credit risk is equal to the carrying amount of its financial instruments. The Group has no concentration of credit risk.

The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position as at December 31, 2012 and 2011 for which the net maximum exposure is not equal to the gross maximum exposure.

	Gross Maximum Exposure		Net maximum Exposure ⁽¹⁾	
	2012	2011	2012	2011
Current financial assets:				
Cash and cash equivalents:				
Cash in banks	₱1,324,729,505	₱109,964,432	₱1,316,729,505	₱108,464,432
Temporary cash investments	6,317,339,899	405,994,229	6,316,839,899	404,994,229
Debt collateral accounts	194,727,944	57,243,598	193,727,944	56,243,598
	₱7,836,797,348	₱573,202,259	₱7,827,297,348	₱569,702,259

⁽¹⁾ Net financial assets after taking into account insurance on bank deposits.



The Group's financial assets are all neither past due nor impaired as at December 31, 2012 and 2011. The evaluation of the credit quality of the Group's financial assets considers the payment history of the counterparties.

- a. High grade - counterparties that have good paying history and are not expected to default in settling their obligations. Credit exposure from these financial assets is considered to be minimal. This normally includes deposits and placements with top tier banks and counterparties with good credit rating.
- b. Standard grade - counterparties for which sufficient credit history has not been established.

As of December 31, 2012 and 2011, all financial assets are viewed by management as 'high grade' considering the collectibility of the receivables and the credit history of the counterparties.

Capital Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain advances from stockholders, return capital to shareholders or issue new shares.

The Group considers equity as its capital which amounted to ₱17,336,636,047 and ₱5,349,532,247 as of December 31, 2012 and 2011, respectively.

The Group monitors capital on the basis of debt-to-equity ratio in order to comply with PAGCOR requirement and loan debt covenant (see Notes 12 and 18). Debt-to-equity ratio is calculated as long-term debt over equity.

The Group's strategy is to maintain a sustainable debt-to-equity ratio. The debt-to-equity ratios as of December 31, 2012 and 2011, computed based on the separate financial statements of Sureste and BRHI, are as follows:

- a. Sureste

	2012	2011
Long-term debt	₱7,558,078,249	₱2,233,924,391
Equity	26,020,680,656	5,842,443,661
Debt-to-equity ratio	1:3.4	1:2.6

- b. BRHI

	2012	2011
Long-term debt	₱618,028,333	₱188,135,056
Equity	17,861,755,187	4,342,509,406
Debt-to-equity ratio	1:28.9	1:23.1

The Group's loan agreement requires the maintenance of a maximum debt to equity ratio of 2.33 times (1:0.43) and 0.61 times (1:1.64) on each testing date, computed based on the separate financial statements of Sureste and BRHI, respectively (see Note 12). On the other hand, PAGCOR Provisional License requires BRHI to maintain a debt to equity ratio of not more than 70:30 (see Note 18). As of December 31, 2012 and 2011, the Group is in compliance with these requirements.



21. Note to Consolidated Statements of Cash Flows

The Group had no material non-cash investing nor non-cash financing activity-related transactions for the year ended December 31, 2012 and 2011, except for the declaration of Sureste in 2011 of its investment in 899,872,672 shares in MOREI amounting to ₱650,151,604 and investment properties with carrying value of ₱37,211,356 as property dividends (see Note 15).

22. Basic/Diluted Earnings (Loss) Per Share

The following table presents information necessary to calculate earnings (loss) per common share:

	2012	2011	2010 (Unaudited)
(a) Net income (loss)	(₱687,938,717)	₱2,659,704	₱861,537,547
(b) Common shares of legal parent effectively owned by PMHI prior to acquisition of legal subsidiary by Bloomberg* 58,654,967	5,865,496,700	5,865,496,700	5,865,496,700
(c) Common shares of legal subsidiary prior to acquisition by legal parent 58,654,967	58,654,967	58,654,967	58,654,967
(d) Exchange ratio = (b)/(c)	100	100	100
Common shares of legal subsidiary at beginning of year	—	2,500	2,500
Weighted average of:			
7,500 shares issued by legal subsidiary in March 2011	—	—	5,000
58,644,967 shares issued by legal subsidiary in September 2011	—	19,548,322	—
58,654,967 shares of legal subsidiary prior to acquisition by legal parent	4,887,914	—	—
(e) Weighted average of legal subsidiary's common shares	4,887,914	19,557,072	7,500
(f) Weighted average of the equivalent legal parent's shares of legal subsidiary's shares prior to acquisition = (d) x (e)	488,791,392	1,955,082,200	750,000
Weighted average of:			
Legal parent's shares right after acquisition of the legal subsidiary	8,517,520,510	—	—
Issuance of 1,179,963,700 shares to PMHI on May 7	786,642,467	—	—
Issuance of 117,996,300 shares to PMHI on May 31	68,831,175	—	—
(g) Weighted average of legal parent's shares issued	9,372,994,152	—	—
Basic/Diluted:			
Earnings per common share (a)/(f)	—	₱0.001	₱1.149
Loss per common share (a)/[(f) + (g)]	(₱0.070)	—	—

* Computed as total consideration of ₱5,865,496,700 for the acquisition of Sureste's shares divided by Bloomberg's common share par value of ₱1.

The basic and diluted earnings (loss) per share are the same for the years ended December 31, 2012, 2011 and 2010 as there are no dilutive potential common shares.



23. Segment Information

The segment assets and liabilities of the Group's reportable business segments as of December 31, 2012 and 2011 are as follows:

	Hotel	Casino	Total
December 31, 2012			
Results:			
Loss before income tax	(P58,843,873)	(P697,532,783)	(P756,376,656)
Benefit from income tax	(68,437,939)	—	(68,437,939)
	P9,594,066	(P697,532,783)	(P687,938,717)
Assets:			
Segment assets	P22,904,184,489	P5,805,670,783	P28,709,855,272
Deferred income tax assets - net	86,192,911	—	86,192,911
Total assets	P22,990,377,400	P5,805,670,783	P28,796,048,183
Liabilities -			
Segment liabilities	P8,950,094,006	P2,509,318,130	P11,459,412,136
December 31, 2011			
Results:			
Income (loss) before income tax	P26,010,678	(P39,859,388)	(P13,848,710)
Benefit from income tax	(16,508,414)	—	(16,508,414)
	P42,519,092	(P39,859,388)	P2,659,704
Assets:			
Segment assets	P4,916,479,427	P3,391,811,809	P8,308,291,236
Deferred income tax assets - net	16,578,520	—	16,578,520
Total assets	P4,933,057,947	P3,391,811,809	P8,324,869,756
Liabilities -			
Segment liabilities	P2,266,739,296	P708,598,213	P2,975,337,509
December 31, 2010 (Unaudited)			
Results:			
Income (loss) before income tax	P1,068,140,265	(P206,570,806)	P861,569,459
Provision for income tax	31,912	—	31,912
	P1,068,108,353	(206,570,806)	P861,537,547

24. Events After Reporting Date

On March 6, 2013, the BOD of Sureste and BRHI approved the P14.3 billion, syndicated term loan facility with BDO Unibank, Inc., China Banking Corp. and Philippine National Bank.



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
LIST OF EFFECTIVE STANDARDS
UNDER SRC RULE 68, AS AMENDED (2011)

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Early 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	☐	☐	☒
PFRS 2	Share-based Payment	☐	☐	☒
	Amendments to PFRS 2: Vesting Conditions and Cancellations	☐	☐	☒
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	☐	☐	☒
PFRS 3 (Revised)	Business Combinations	☒	☐	☐
PFRS 4	Insurance Contracts	☐	☐	☒
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	☐	☐	☒
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	☐	☐	☒
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	☐	☒	☐
PFRS 8	Operating Segments	☒	☐	☐
PFRS 9*	Financial Instruments	☐	☒	☐
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and	☐	☒	☐

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Early Adopted	Not Applicable
	Transition Disclosures			
PFRS 10*	Consolidated Financial Statements	☐	☒	☐
PFRS 11*	Joint Arrangements	☐	☒	☐
PFRS 12*	Disclosure of Interests in Other Entities	☐	☒	☐
PFRS 13*	Fair Value Measurement	☐	☒	☐
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	☐	☒	☐
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	☒	☐	☐
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	☐	☒	☐
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	☒	☐	☐
PAS 26	Accounting and Reporting by Retirement Benefit Plans	☐	☐	☒
PAS 27	Consolidated and Separate Financial Statements	☒	☐	☐
PAS 27 (Amended)*	Separate Financial Statements	☐	☒	☐

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Early Adopted	Not Applicable
PAS 28	Investments in Associates	☒	☐	☐
PAS 28 (Amended)*	Investments in Associates and Joint Ventures	☐	☒	☐
PAS 29	Financial Reporting in Hyperinflationary Economies	☐	☐	☒
PAS 31	Interests in Joint Ventures	☒	☐	☐
PAS 32	Financial Instruments: Disclosure and Presentation	☒	☐	☐
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	☐	☐	☒
	Amendment to PAS 32: Classification of Rights Issues	☐	☐	☒
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	☐	☒	☐
PAS 33	Earnings per Share	☒	☐	☐
PAS 34	Interim Financial Reporting	☒	☐	☐
PAS 36	Impairment of Assets	☒	☐	☐
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	☒	☐	☐
PAS 38	Intangible Assets	☒	☐	☐
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	☐	☐	☒
PAS 40	Investment Property	☒	☐	☐
PAS 41	Agriculture	☐	☐	☒
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	<i>Determining Whether an Arrangement Contains a Lease</i>	☒	☐	☐
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	☐	☐	☒
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	☐	☐	☒

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Early Adopted	Not Applicable
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>	☐	☐	☒
IFRIC 8	<i>Scope of PFRS 2</i>	☐	☐	☒
IFRIC 9	Reassessment of Embedded Derivatives	☒	☐	☐
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	☒	☐	☐
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>	☒	☐	☐
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 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	☐	☒	☐
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	☐	☐	☒

BLOOMBERRY RESORTS CORPORATION

(Formerly Active Alliance, Incorporated)

Schedule L. Retained Earnings Available for Dividend Declaration

December 31, 2012

	Amount
Unappropriated retained earnings, beginning	P403,136
Adjustments: <i>(see adjustments in previous year's Reconciliation)</i>	2,005,789
Unappropriated retained earnings, as adjusted, beginning	2,408,925
Add: Net Income during the year	58,670,483
Unappropriated retained earnings, as adjusted, ending	P61,079,408

Bloomberry Resorts Corporation and Subsidiaries
(Formerly Active Alliance, Incorporated)
(A Subsidiary of Prime Metroline Holdings, Inc.)

Consolidated Financial Statements
March 31, 2013 (Unaudited) and December 31, 2012
and For The Three Months Ended March 31, 2013 and 2012
(Unaudited)

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

(Formerly Active Alliance, Incorporated)

(A Subsidiary of Prime Metroline Holdings, Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**MARCH 31, 2013 AND DECEMBER 31, 2012**

	March 31, 2013 <i>(Unaudited)</i>	December 31, 2012 <i>(Audited, Note 2)</i>
ASSETS		
Current Assets		
Cash and cash equivalents	P8,278,962,474	P7,836,932,348
Current portion of restricted cash	239,537,999	42,832,595
Receivables	156,554,330	39,150,605
Prepayments and other current assets	327,444,731	137,041,344
Total Current Assets	9,002,499,534	8,055,956,892
Noncurrent Assets		
Restricted cash - net of current portion	2,178,801,286	2,182,037,610
Advances to contractors	189,851,621	3,439,011,003
Project development costs	730,685,554	14,715,961,920
Property and equipment	23,758,742,653	175,165,970
Deferred tax assets - net	277,399,441	86,192,911
Other noncurrent assets	685,687,174	141,721,877
Total Noncurrent Assets	27,821,167,729	20,740,091,291
	P36,823,667,263	P28,796,048,183
LIABILITIES AND EQUITY		
Current Liabilities		
Payables and other current liabilities	P7,328,110,037	P3,259,781,507
Noncurrent Liabilities		
Long-term debt	13,143,394,702	8,176,106,582
Accrued rent - net of current portion	56,887,074	11,758,247
Retirement liability	14,707,250	11,765,800
Total Noncurrent Liabilities	13,214,989,026	8,199,630,629
Total Liabilities	20,543,099,063	11,459,412,136
Equity		
Capital stock	10,589,800,556	10,589,800,556
Additional paid-in capital	7,948,329,736	7,948,329,736
Equity reserves	(27,138,558)	(27,138,558)
Deficit	(2,230,423,534)	(1,174,355,687)
Total Equity	16,280,568,200	17,336,636,047
	P36,823,667,263	P28,796,048,183

See accompanying Notes to Unaudited Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

(Formerly Active Alliance, Incorporated)

(A Subsidiary of Prime Metroline Holdings, Inc.)

**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME****FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012**

	2013 (Note 2)	2012 (Note 2)
REVENUES		
Gaming	P495,621,126	P—
Hotel, food and beverage	57,091,929	—
Interest income	23,031,913	17,245,209
Retail and others	2,541,039	—
	578,286,007	17,245,209
EXPENSES		
Operating expenses	(1,722,031,963)	(113,494,749)
Cost of sales	(32,227,269)	—
Interest expense	(42,856,789)	—
Foreign exchange losses - net	(28,444,362)	(38,163,640)
	(1,825,560,383)	(151,658,389)
LOSS BEFORE INCOME TAX	(1,247,274,376)	(134,413,180)
BENEFIT FROM INCOME TAX	191,206,530	501,441
NET LOSS	(1,056,067,846)	(133,911,739)
OTHER COMPREHENSIVE INCOME	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)	(P1,056,067,846)	(P133,911,739)
Basic/Diluted Earnings Per Share	(P0.064)	(P0.013)

See accompanying Notes to Unaudited Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

(Formerly Active Alliance, Incorporated)

(A Subsidiary of Prime Metroline Holdings, Inc.)

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

	Issued ¹	Subscribed	Subscriptions Receivable	Sub-total Capital Stock	Additional Paid-in Capital	Equity Reserves	Deficit	Total
Balances at January 1, 2013	₱10,589,800,556	₱—	₱—	₱10,589,800,556	₱7,948,329,736	(₱27,138,558)	(₱1,174,355,687)	₱17,336,636,047
Net loss	—	—	—	—	—	—	(1,056,067,846)	(1,056,067,846)
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive loss	—	—	—	—	—	—	(1,056,067,846)	(1,056,067,846)
Subscription of capital stock	—	—	—	—	—	—	—	—
Payment of subscription	—	—	—	—	—	—	—	—
Movement of equity reserves	—	—	—	—	—	—	—	—
Balances at March 31, 2013	₱10,589,800,556	₱—	₱—	₱10,589,800,556	₱7,948,329,736	(₱27,138,558)	(₱2,230,423,534)	₱16,280,568,200
Balances at January 1, 2012	₱80,000,000	₱—	₱—	₱80,000,000	₱—	5,755,949,217	(486,416,970)	₱5,349,532,247
Net loss	—	—	—	—	—	—	(133,911,739)	(133,911,739)
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive loss	—	—	—	—	—	—	(133,911,739)	(133,911,739)
Subscription of capital stock	—	9,211,840,556	(9,211,840,556)	—	—	—	—	—
Payment of subscription	8,290,656,500	(8,290,656,500)	8,520,952,514	8,520,952,514	—	—	—	8,520,952,514
Movement of equity reserves	—	—	—	—	—	(5,853,024,081)	—	(5,853,024,081)
Balances at March 31, 2012	₱8,370,656,500	₱921,184,056	(₱690,888,042)	₱8,600,952,514	₱—	(₱97,074,864)	(₱620,328,709)	₱7,883,548,941

¹Issued and fully paid shares.

See accompanying Notes to Unaudited Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
(Formerly Active Alliance, Incorporated)
(A Subsidiary of Prime Metroline Holdings, Inc.)

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

	2013 (Note 2)	2012 (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(P1,247,274,376)	(P134,413,180)
Adjustments for:		
Unrealized foreign exchange losses - net	10,795,794	38,143,088
Interest income	(23,031,913)	(17,245,209)
Retirement expense	2,941,450	—
Interest expense	22,519,091	—
Depreciation and amortization	113,502,352	2,098,350
Loss before working capital changes	(1,120,547,602)	(111,416,951)
Decrease (increase) in:		
Receivables	(116,725,828)	(2,421,300)
Prepayments and other current assets	(190,403,386)	(19,139,191)
Increase (decrease)		
Accrued expenses and other current liabilities	4,092,386,713	1,471,352
Net cash generated from (used in) operations	2,664,709,897	(131,506,090)
Interest received	22,354,016	18,565,019
Net cash provided by (used in) operating activities	2,687,063,913	(112,941,071)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to project development costs	(8,335,419,089)	(892,349,654)
Additions to property and equipment	(1,376,383,580)	(14,794,668)
Payment for acquisition of Sureste	—	(5,865,496,700)
Decrease (increase) in:		
Other noncurrent assets	(543,965,297)	(11,985,522)
Restricted cash - net of current portion	3,236,324	(16,879,662)
Advance to contractors	3,249,159,382	(411,529,194)
Cash acquired arising from reverse acquisition	—	81,551,355
Net cash used in investing activities	(7,003,372,260)	(7,131,484,045)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from availment of loans	4,967,288,120	1,490,229,878
Payment of interest	(1,448,449)	—
Proceeds from subscription of capital stock	—	8,520,952,514
Decrease in due from a shareholder	—	319,716,760
Stock issue cost on issuance of legal subsidiaries' capital stock	—	(24,044,180)
Net cash provided by financing activities	4,965,839,671	10,306,854,972
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(10,795,794)	(1,293,826)
NET INCREASE IN CASH AND CASH EQUIVALENTS	638,735,530	3,061,136,030
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and cash equivalents	7,836,932,348	573,299,664
Current portion of restricted cash	42,832,595	599,073,079
	7,879,764,943	1,172,372,743
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and cash equivalents	8,278,962,474	4,035,832,595
Current portion of restricted cash	239,537,999	197,676,178
	P8,518,500,473	P4,233,508,773

See accompanying Notes to Unaudited Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

(Formerly Active Alliance, Incorporated)

(A Subsidiary of Prime Metroline Holdings, Inc.)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

a. Corporate Information

Bloomberry Resorts Corporation (formerly Active Alliance, Incorporated), referred to as “Bloomberry” or “Parent Company”, was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on May 3, 1999. Bloomberry was mainly engaged in the manufacture and distribution of consumer communication and electronic equipment until 2003 and operated within the Subic Bay Freeport Zone (SBFZ) and was governed by the Subic Bay Metropolitan Authority (SBMA) rules and regulations under Republic Act (R.A) No. 7227, otherwise known as the “Bases Conversion and Development Act of 1992”. Effective December 14, 2009, the lease agreement between Bloomberry and SBMA was mutually rescinded.

Bloomberry’s shares of stock are publicly traded in the Philippine Stock Exchange (PSE). The Parent Company’s registered office address is at Unit 601, 6th Floor Ecoplaza Bldg., Chino Roces Avenue Extension, Makati City.

b. Change in Ownership of Bloomberry

As of December 31, 2011, Bloomberry was a majority - owned subsidiary of Wespac Holdings Incorporated, a corporation organized and existing under Philippine laws.

On January 26, 2012, Prime Metroline Holdings, Inc. (PMHI, formerly Prime Metroline Transit Corporation) acquired 60,000,000 shares of Bloomberry, constituting 75% of its outstanding capital stock, from Wespac Holdings Incorporated and other shareholders through a cross sale transaction in the PSE.

On February 27, 2012, the SEC approved the increase in Bloomberry’s authorized capital stock to ₱15.0 billion divided into 15.0 billion shares with par value of ₱1 per share and the following amendments in its articles of incorporation, among others: change in the corporate name to Bloomberry Resorts Corporation and change in the primary purpose to that of a holding company.

As of March 31, 2013, PMHI (the ultimate parent company) owns 60.51% of Bloomberry.

c. Subsidiaries of Bloomberry

On February 6, 2012, PMHI sold 100% of its ownership interest in Sureste Properties, Inc. (Sureste) to Bloomberry for ₱5.9 billion. As of December 31, 2012, Bloomberry’s subsidiaries include Sureste and its wholly-owned subsidiary, Bloomberry Resorts and Hotels Inc. (BRHI) (collectively referred to as “the Group”) (see Note 2).

Sureste was incorporated in the Philippines and was registered with the SEC on April 16, 1993. Its wholly-owned subsidiary, BRHI, was incorporated in the Philippines and registered with the SEC on February 27, 2008. The primary purpose of Sureste and BRHI is to develop and operate tourist facilities, including hotel casino entertainment complexes with hotel, retail and amusement areas and themed development components.

d. Status of Operations

The Philippine Amusement and Gaming Corporation (PAGCOR) has granted BRHI the Provisional License on April 8, 2009 to develop an integrated casino, hotel and entertainment complex within Entertainment City. BRHI is one of four licensees for Entertainment City. Prior to the development of integrated resorts in the Philippines, only PAGCOR-operated casinos and six private casinos in special economic zones were allowed to operate in the country. BRHI's Provisional License will be replaced with a regular casino gaming license upon full completion of the Project, referred to as "Solaire Manila", and upon PAGCOR's approval of a final report. The Provisional License, as well as any regular license to be issued to replace it, is concurrent with PAGCOR's congressional franchise. PAGCOR's franchise will expire on July 11, 2033 and may be renewed by law.

The Group is the owner of "Solaire Manila", the first premium/luxury hotel and gaming resort in the Philippines. The 8.3-hectare gaming and integrated resort complex along Aseana Boulevard in Parañaque City is the first casino to operate within Entertainment City. BRHI, as the license holder, is the operator of the casino while Sureste is the operator of the hotel and other non-gaming business.

Solaire Manila started commercial operations on March 16, 2013 with the opening of Phase 1 main gaming area and initial non-gaming amenities, such as the hotel, food and beverage outlets.

2. Summary of Significant Accounting Policies and Disclosures

Basis of Preparation

The consolidated financial statements have been prepared under the historical cost basis. The consolidated financial statements are presented in Philippine Peso, the functional and presentation currency of the Parent Company and its subsidiaries, and all values are rounded to the nearest peso, except when otherwise indicated.

Basis of Consolidation

On February 6, 2012, Bloomberry completed the acquisition of Sureste from PMHI through a cash transaction (see Note 1c). Sureste, a subsidiary of PMHI, was deemed to be the accounting acquirer for accounting purposes under the principles of Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*. The acquisition was accounted for similar to a reverse acquisition following the guidance provided by the standard. In a reverse acquisition, the legal parent is identified as the acquiree for accounting purposes because based on the substance of the transaction, the legal

subsidiary is adjudged to be the entity that gained control over the legal parent. Accordingly, the consolidated financial statements of Bloomberry have been prepared as a continuation of the consolidated financial statements of Sureste. Sureste has accounted for the accounting acquisition of Bloomberry on January 26, 2012 which was the date when PMHI acquired Bloomberry (see Note 1b). The December 31, 2011 and 2010 financial information presented in the consolidated financial statements are that of Sureste and its subsidiary, BRHI, not that originally presented in the previous financial statements of the legal parent (accounting acquiree), i.e. Bloomberry, and also is retroactively adjusted to reflect the legal capital (i.e., the number and type of capital stock issued) of Bloomberry. The adjustment, which is the difference between the paid-up capital of Sureste and Bloomberry, is recognized as part of "Equity reserve".

Because these consolidated financial statements represent a continuation of the consolidated financial statements of Sureste, except for its capital structure, the consolidation reflects:

- a) the consolidated assets and liabilities of Sureste (legal subsidiary/accounting acquirer) recognized and measured at their pre-combination carrying amounts, not at their acquisition-date fair values, and the assets and liabilities of Bloomberry (legal parent/accounting acquiree) recognized and measured at their acquisition-date fair values (Cash and cash equivalents - ₱81,551,355; Receivables - ₱2,700; Other current assets - 19,800; Deferred tax asset - ₱1,176,452 and Accrued expenses - ₱341,382);
- b) the retained earnings and other equity balances of Sureste before combination (i.e., not those of Bloomberry);
- c) the total equity is that of Sureste but the legal capital (common shares) would be that of Bloomberry;
- d) any difference between (1) the net assets of Sureste and its subsidiary, BRHI, and (2) the sum of legal capital of Bloomberry and the combined retained earnings of Sureste and its subsidiary, BRHI, shall be accounted for as "Equity reserve"; and
- e) the consolidated statements of comprehensive income for the comparative period reflects that of Sureste while the consolidated statement of comprehensive income for the current year reflects that of Sureste for the full period together with the post-combination results of Bloomberry.

Reverse acquisition applies only to the consolidated financial statements. The parent company financial statements as of and for the periods ended March 31, 2013 and December 31, 2012 will continue to represent Bloomberry as a stand-alone entity.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions are eliminated in full.

Statement of Compliance

The Group's consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards (PFRS). PFRS include statements named PFRS and Philippine Accounting Standards (PAS), and Philippine Interpretations based on equivalent interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies and Disclosures

The Group's accounting policies are consistent with those of the previous financial year, except for adoption of the following amendments to existing PFRS as at January 1, 2012.

- *PFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments). The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- *PAS 12, Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendments). This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendment has no impact on the Group's financial position or performance.

Standards Issued But Not Yet Effective

The Group will adopt the following revised standards, interpretations and amendments to existing standards when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these revised standards, interpretations and amendments to PFRS to have a significant impact on the consolidated financial statements.

Effective in 2013

- *Amendment to PAS 1, Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*. The amendments to PAS 1 change the grouping of items presented in other comprehensive income (OCI).

Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

- Amendments to PAS 19, *Employee Benefits*. Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment to PAS 19 has no impact to the Group, since this is the first year that they will recognize the retirement expense and the related liability. The Group's retirement expense and the related liability arising from the computation based on the old PAS 19 and the amended standard is the same. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PAS 27, *Separate Financial Statements* (as revised in 2011). As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group will consider the changes in its separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011). As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- Amendments to PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*. These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a. The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;

- c. The net amounts presented in the statement of financial position;
- d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
- e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*. PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 11, *Joint Arrangements*. PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 12, *Disclosure of Interests with Other Entities*. PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 13, *Fair Value Measurement*. PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this

standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”) and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.
- Improvements to PFRSs (effective for annual periods beginning on or after January 1, 2013, with retrospective application)

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

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

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

The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group’s financial position or performance.

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

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group’s financial position or performance.

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

The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position or performance.

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

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

Significant Accounting Policies

Financial Instruments

Date of recognition

Financial instruments within the scope of PAS 39 are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using trade date accounting.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for financial instruments at fair value through profit or loss (FVPL). The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Determination of fair value

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

significant change in economic circumstances since the time of the transaction. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

“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 Group recognizes the

difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of comprehensive income, unless it qualifies for recognition as some other type of asset or liability. In cases where data which is not observable are used, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference amount.

Financial assets and liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and liabilities are classified as held for trading if these are acquired for the purposes of selling and repurchasing in the near term.

Derivatives, including any separated embedded derivatives, are also classified under financial assets or liabilities at FVPL, unless these are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management on initial recognition as at FVPL when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized in the consolidated statement of comprehensive income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Group's derivative asset arising from the loan prepayment option is classified as financial assets at FVPL as of March 31, 2013 and December 31, 2012. The Group has no financial liability at FVPL as of March 31, 2013 and December 31, 2012..

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL. Loans and receivables are classified as current assets if maturity is within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. Interest earned or incurred is recognized as "Interest income" in the consolidated statement of comprehensive income. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized and impaired, as well as through the amortization process.

The Group's cash and cash equivalents, receivables, due from a shareholder, restricted cash and security deposit are classified as loans and receivables (see Note 20).

HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial recognition, these investments are subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the EIR. Interest earned or incurred is recognized in "Interest income" in the consolidated statement of comprehensive income. Gains and losses are recognized in the consolidated statement of comprehensive income when the HTM investments are derecognized and impaired, as well as through the amortization process. The effects of restatement on foreign currency-denominated HTM investments are also recognized in the consolidated statement of comprehensive income.

The Group has no HTM investments as of March 31, 2013 and December 31,.

AFS financial assets

AFS financial assets are those non-derivative financial assets which are designated as such or do not qualify to be classified in any of the three preceding categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets are classified as current assets if management intends to sell these financial assets within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

After initial recognition, AFS financial assets are subsequently measured at fair value, with unrealized gains and losses being recognized as other comprehensive income account until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income reserve account is recognized in the consolidated statement of comprehensive income. The Group uses the specific identification method in determining the cost of securities sold. Interest earned on holding AFS debt securities is included under "Interest income" using the EIR method in the consolidated statement of comprehensive income. Dividends earned on holding AFS equity investments are recognized in the consolidated statement of comprehensive income when the right of payment has been established.

The Group has no AFS assets as of March 31, 2013 and December 31, 2012.

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. These include liabilities arising from operations or borrowings. Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization is included in the consolidated statement of comprehensive income.

Other financial liabilities include payables and other current liabilities and long-term debt.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statement of financial position.

Impairment of Financial Assets

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

Financial assets carried at amortized cost

For financial assets at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The estimated future cash flows is discounted at the financial asset's original EIR. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. The financial asset together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in our consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its original amortized cost at the reversal date. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income.

Derecognition of Financial Assets and 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: (1) the rights to receive cash flows from the asset have expired; or (2) the Group 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 Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a “pass-through” arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the Group’s continuing involvement in the asset.

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

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of comprehensive income.

Cash and Cash Equivalents

Cash includes cash on hand and in banks, including bank accounts maintained by the Group as collateral for its long-term debt and cash that is restricted for meeting cash commitments in the next twelve months related to the development of the Project. 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 for which there is an insignificant risk of change in value.

Restricted Cash

Restricted cash represents cash in escrow account as required in the Provisional License issued by PAGCOR and restricted cash and cash equivalents that are allocated for the development of the Project.

Project Development Costs

Costs incurred in the construction of the hotel casino entertainment complex, referred to as “Solaire Manila”, are capitalized as “Project development costs”. This includes cost of construction, equipment and other direct costs such as borrowing cost. Upon completion, it will be amortized over the life of the Group’s license with PAGCOR or life of the asset, whichever is shorter. During the period of development, project development costs are tested for impairment.

Property and Equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, such expenditures are capitalized as additional costs of property and equipment. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of comprehensive income of such period.

The useful lives and depreciation and amortization method are reviewed at least 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.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets, or the term of the lease as in the case of leasehold improvements, whichever is shorter:

Building and structures	20 years
Machinery	5 years
Transportation equipment	5 years
Gaming equipment	3 years
Office furniture and fixtures	3 years
Office and communication equipment	3 years
Leasehold improvements	3 years or term of the lease whichever is lower

Operating Equipment

Operating equipment includes linen, china, glassware, silver, and other kitchen wares, which are carried at cost. Items of operating equipment with expected period of consumption of one year or less are classified as current. Bulk purchases of items of operating equipment with expected usage period of beyond one year are classified as noncurrent assets.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of the recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said 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 recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

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 of proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital.

Equity reserve pertains to costs incurred in 2011, in connection with the issuance of capital stock such as taxes and legal fees. The account also includes the effect of the reverse acquisition.

Deficit represents the Group's cumulative net losses, net of dividends declared.

Distribution of Non-cash Assets to Owners

Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*, requires that an entity shall measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. IFRIC 17, however, does not apply when the non-cash asset is ultimately controlled by the same party or parties before and after the distribution. In such cases, the Group measures the liability to distribute non-cash assets as a dividend to its owners at the carrying amount of the assets to be distributed.

Foreign Currency Transactions and Translations

The Group's financial statements are presented in Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional closing rate of exchange prevailing at the end of the reporting period. All differences are recognized in the Group's consolidated statement of comprehensive income.

Revenue Recognition

The Group recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow into the entity and specific criteria have been met for each of the Group's activities described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The following specific recognition criteria must also be met before revenue is recognized:

Interest income

Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the EIR. Interest income represents interest earned from cash and cash equivalents and restricted cash comprising of cash in escrow and cash allocated to the project.

Rental income

Rental income, shown as part of "Other Revenue" is recognized on a straight-line basis.

Cost and Expenses

Costs and expenses are recognized in the consolidated statement of comprehensive income upon utilization of the service or at the date they are incurred.

Costs incurred prior to obtaining the license were expensed as incurred.

Pre-opening Expenses

Pre-opening expenses are costs incurred prior to opening of a new gaming facility. These are charged to expense as incurred. These include recruiting and training new employees, relocation costs, payroll for employees directly associated with the opening, payments to consultants to assist in the opening, operating costs incurred prior to opening but after construction is complete, direct advertising and marketing, and incremental office lease space prior to the opening. Pre-opening expenses are shown separately as part of the "Cost and expenses" account in the consolidated statement of comprehensive income.

Provisions

Provisions are recognized when the Group has present obligations, legal or constructive, as a result of past events, when 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. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as interest expense.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities necessary to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest cost.

All other borrowing costs are expensed as incurred.

Leases

The determination of whether an arrangements, or contains a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the 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 agreement; (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 the fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

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

As a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income or consolidated statement of financial position (in case of leases directly related to construction) on a straight-line basis over the lease term.

As a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease receipts are recognized as income in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Taxes

Current income tax

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

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except: (1) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefit of unused tax credits and unused tax losses can be utilized except: (1) when the deferred income 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 (2) with respect to deductible temporary differences associated with investments in subsidiaries, 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 period 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 period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period 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 period.

Deferred income tax relating to items recognized directly in other comprehensive income account is included in the other comprehensive income account of the consolidated statement of comprehensive income.

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

Value-Added Tax (VAT)

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

- When the VAT incurred on a purchase of assets or services is not recoverable from the tax 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; or
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from the taxation authority is included as part of the "Prepayments and other current assets" account in the consolidated statement of financial position.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed 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 Date

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

Earnings (Loss) Per Share

The Group presents basic and diluted earnings (loss) per share rate for its common shares.

Basic Earnings (loss) Per Share (EPS) is calculated by dividing net income (loss) for the period attributable to common equity shareholders by the weighted average number of common shares outstanding during the period after giving retroactive effect to any stock dividend declarations.

Diluted EPS is calculated in the same manner, adjusted for the dilutive effect of any potential common shares. As the Group has no dilutive common shares outstanding, basic and diluted earnings (loss) per share are stated at the same amount.

In a reverse acquisition, for the purpose of calculating the weighted average number of ordinary shares outstanding (the denominator of the earnings per share calculation):

- (a) the number of ordinary shares outstanding from the beginning of that period to the acquisition date is computed on the basis of the weighted average number of ordinary shares of the legal subsidiary/accounting acquirer outstanding during the period multiplied by the exchange ratio (number of shares issued by the legal parent over the number of shares issued by the legal subsidiary) established in the acquisition agreement; and
- (b) the number of ordinary shares outstanding from the acquisition date to the end of that period is the actual number of ordinary shares of the legal parent/accounting acquiree outstanding during that period.

The basic earnings per share disclosed for each comparative period before the acquisition date is calculated by dividing:

- (a) the profit or loss of the legal subsidiary/accounting acquirer attributable to ordinary shareholders in each of those periods, by
- (b) the legal subsidiary's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the acquisition agreement.

Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment subject to risks and rewards that are different from those of other segments, which operating results are regularly reviewed by the chief operating decision maker to make decisions about how resources are to be allocated to each of the segments and to assess their performances,

and for which discrete financial information is available. The Group's operating businesses are organized and managed separately into two business activities. Such business segments are the bases upon which the Group reports its operating segment information. The Group operates in one geographical area where it will derive its revenue.

Management's Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date. The uncertainties inherent in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future years.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments apart from those including estimations and assumptions, which has the most significant effect on the amounts recognized in the consolidated financial statements.

Estimates and assumptions

The key estimates and 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 recognized in the consolidated financial statements within the next financial year are discussed as follows:

Estimating Allowance for Doubtful Accounts. The Group reviews its receivables at each reporting date to assess whether a provision for doubtful accounts should be recorded in the consolidated statement of financial position. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowance against individually significant receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the receivables since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in country risk, and industry, as well as identified structural weaknesses or deterioration in cash flows.

Estimating Useful Lives of Property and Equipment. Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment based on the period over which the property and equipment are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Management will increase the depreciation and amortization charges where useful lives are less than previously estimated useful lives.

Impairment of Non-financial Assets. An impairment review is performed when certain impairment indicators are present. Nonfinancial assets are subject to annual impairment test or whenever there is a strong indication that the assets will be impaired. The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach or based on the fair values using the latest sales price available in the market. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Recognition of Deferred Tax Assets. The Group reviews the carrying amounts at the end of each reporting period and reduced these to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. The forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in banks, temporary cash investments and debt collateral accounts.

Cash in banks earn interest at the prevailing bank deposit rates.

Temporary cash investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates.

Debt collateral accounts are bank accounts maintained by the Group as collateral for its long-term debt.

4. Restricted Cash

Restricted cash includes the escrow account required in the Provisional License issued by PAGCOR and restricted cash and cash equivalents that are allocated for the development of the Project (see Note 1). Current portion of the restricted cash and cash equivalents, which is expected to be released within the next 12 months, is shown separately in the current assets section of the consolidated statements of financial position. The noncurrent portion of the restricted cash pertains to the escrow account required by PAGCOR.

Under the Provisional License granted by PAGCOR, the Group is required to set-up and maintain an escrow account amounting to US\$100 million with a universal bank mutually agreed by PAGCOR and the Group. All funds for the development of the casino project shall pass through the escrow account and all drawdowns of funds from the said escrow account must be applied to the project. The escrow account should have a maintaining balance of US\$50 million. If the funds in escrow account fall below the maintaining balance

at any given time, the Group shall deposit not later than fifteen calendar days (grace period) from the date the escrow account fall below the maintaining balance, such funds to achieve the maintaining balance. The escrow will be withdrawn and released to BRHI upon completion of the Project.

5. Project Development Costs

Project development costs represent costs incurred in the development of Solaire Manila (see Note 1). Costs incurred mainly include raw materials procurement, general construction works, architectural design services, engineering consultancy and construction supervision services, interior design services, capitalized rent expense on lease contract with PAGCOR and interest charges on long-term debt. As of March 31, 2013 the balance of project development costs amounted to ₱730,685,554 which pertains to Phase 1a of Solaire Manila.

Under its Provisional License with PAGCOR, the Group has committed to invest at least US\$1 billion in the Project. In the event that the peso devaluates, the value of the dollar against the peso shall be limited to a maximum of 46:1. The investment commitment includes the lease for the use of the land of PAGCOR, cost related to securing development rights, construction, equipment, development costs, financing costs, working capital costs, and all other expenses directly related to the completion and operation of the casino. The Provisional License also requires the Group to fully invest and utilize US\$400 million within two years from April 8, 2009, the date of issuance of the Provisional License, to comply with the aforementioned 40% utilization requirement. On November 16, 2009, PAGCOR approved the Group's request for an additional three years extension of the original two years compliance period with respect to the 40% of the total investment commitment. As a result, the Group has been allowed an extension of up to five years from April 8, 2009.

6. Property and Equipment

There were no major disposals or write-downs of property and equipment for the three months ended March 31, 2013.

7. Other Noncurrent Assets

Other noncurrent assets consist mainly of operating equipment, prepaid debt issue costs, long-term deposits and others.

Operating equipment are bulk purchases of linen, china, glassware, silver, and other kitchen wares, which are carried at cost with expected usage period of beyond one year.

Prepaid debt issue costs primarily pertain to documentary stamp tax and front end fee on the undrawn balance of the loan facilities. Such amount will be presented as reduction from long-term debt upon drawdown and will be amortized over the term of the loan.

Others mainly represent noncurrent portion of rental deposit and advance rent that will be applied to the last two/three months of the lease term.

8. Payables and Other Current Liabilities

This account consists of trade payables, accrued project costs, current portion of accrued rent, accrued taxes and interest, withholding tax payable, accrued pre-opening expenses, income tax payable and others.

Accrued project costs and other accruals are expected to be settled within one year.

Accrued rent arises from the recognition of lease on a straight line basis. Lease payments that are due within one year are presented as "Current portion of accrued rent". The noncurrent portion is presented separately in the consolidated statements of financial position.

Withholding tax payable and other payables are normally settled within one year.

9. Long-term Debt

This account consists of:

	March 31, 2013	December 31, 2012
Long-term debt	₱13,279,500,000	₱8,266,000,000
Less unamortized debt issue costs	136,105,298	89,893,418
	₱13,143,394,702	₱8,176,106,582

Future repayment of the principal follows:

	March 31, 2013	December 31, 2012
Within one year	₱–	₱–
After one year but not more than five years	8,309,500,000	5,172,150,000
Beyond five years	4,970,000,000	3,093,850,000
	₱13,279,500,000	₱8,266,000,000

On January 24, 2011, Sureste and BRHI entered into an aggregate of ₱9.87 billion (₱7.62 billion for Sureste and ₱2.25 billion for BRHI), seven-year term loan facilities with Banco de Oro Unibank, Inc. (the Lender or BDO) as the lender to finance the construction of a gaming facility within the hotel and entertainment complex, including but not limited to purchase of furniture, fixture and equipment and payment of consultants. Sureste's loan has an escrow portion in the amount of ₱2.25 billion, which is secured by the assignment and hold-out on the escrow account maintained by BRHI as required under the Provisional License from PAGCOR.

The principal is payable over seven years in 16 consecutive quarterly installments on each repayment date commencing on the 39th month from the initial drawdown date while the interest on the unpaid principal amount shall be paid in quarterly payments from the initial drawdown date. The loan bears an interest rate based on a spread of 1 % over the 3-month PDST-F rate with respect to the escrow portion of Sureste's loan in the amount

of ₱2.25 billion and 3% over the 3-month PDST-F rate with respect to the portion not constituting the escrow portion in the amount of ₱7.62 billion.

Sureste and BRHI are obliged to pay, on each date of drawdown, for the first three years of the facilities, a commitment fee equivalent to 0.8% per annum for the first year and 0.5% per annum for the second and third years, based on the undrawn portion of the commitment.

All legal and professional fees, including commitment fee, incurred in relation to the loan, were capitalized. Debt issue costs were amortized using EIR method. Amortization of debt issue costs and interest charges were capitalized as part of "Project development costs".

The loan provides that Sureste/BRHI is permitted to make optional prepayments anytime until maturity. Upon prepayment, the Sureste/BRHI shall pay the principal, accrued interest and penalty based on the amount prepaid in the following percentages: (i) 3% for years 1 to 3 from the initial borrowing date; (ii) 2% for year 4; (iii) 1% for year 5; and (iv) 0.5% for year 6.

The prepayment option was assessed as not clearly and closely related to the loan. As at inception date and December 31, 2011, the value of the prepayment option is not material. Upon additional drawdown in 2012, the option was bifurcated at each drawdown date of the loan, resulting to a value of the bifurcated prepayment option, which was offset against additions to capitalized debt issue costs in 2012. Accretion of interest on the option is offset against amortization of debt issue costs. Fair value losses from the prepayment option are recognized as "Mark-to-market loss" and are separately presented in the consolidated statement of comprehensive income.

Unamortized debt discount, representing capitalized debt issue costs and the value of the bifurcated derivatives arising from embedded prepayment option, is presented as deduction from the Group's long-term debt.

Debt Covenant

Sureste's and BRHI's debt instruments contain certain restrictive covenants that require Sureste and BRHI to comply with specified financial ratios and other financial tests at quarterly measurement dates. Sureste's and BRHI's loan agreement includes compliance with certain financial ratios such as debt-to-equity and debt service coverage ratios. Sureste and BRHI are required to maintain a debt service coverage ratio of at least 1.2 times on each testing date after the commencement of the gaming facility's commercial operations while a maximum of debt-to-equity ratio of 0.61 times and 2.33 times for BRHI and Sureste, respectively, on each testing date. As of March 31, 2013 and December 31, 2012, Sureste and BRHI are in compliance with the debt covenants.

Collateral

Under the loan agreement, collateral includes the following:

- (i) Assignment of Debt Service Payment Account (DSPA) and Debt Service Reserve Account (DSRA) and Receivables
- (ii) Assignment of Project Agreements

(iii) Mortgage on the Present Real Assets and Chattel Mortgage on the Present and Future Chattels

(iv) Continuing Suretyship, and

(v) Pledge of Sureste and BRHI Shares

Second Amendment the Omnibus Loan and Security Agreement

On March 11, 2013, Sureste and BRHI executed a second amendment on the omnibus loan and security agreement. Under this amendment, the following expansion lenders: BDO Unibank, Inc., China Banking Corporation and Philippine National Bank have agreed to make available to Sureste and additional loan facility of up to P14.3 billion to help finance the construction of the Phase 1a of Solaire Manila. As of March 31, 2013, Sureste has not drawn from this additional loan facility.

10. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) subsidiaries; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that give them significant influence over the Group and close members of the family of any such individual.

11. Equity

a. Capital Stock

Capital stock consists of:

	March 31, 2013		December 31, 2012	
	Shares	Amount	Shares	Amount
Common Stock - ₱1 par value				
Authorized	15,000,000,000	₱15,000,000,000	15,000,000,000	₱15,000,000,000
Issued and fully paid	10,589,800,556	10,589,800,556	10,589,800,556	10,589,800,556

The movement on issued and fully paid shares for the three months ended March 31, 2013 and 2012 and the year ended December 31, 2012 is as follows:

	March 31, 2013 (Three Months)	March 31, 2012 (Three Months)	December 31, 2012 (One Year)
Balance at beginning of period	10,589,800,556	80,000,000	80,000,000
Issuance	—	8,290,656,500	10,509,800,556
	10,589,800,556	8,370,656,500	10,589,800,556

On February 6, 2012, the stockholders of the Parent Company approved the increase in its authorized capital stock from ₱120.0 million divided into 120 million shares to ₱15.0 billion divided into 15 billion shares both with a par value of ₱1 per share. The increase in authorized capital stock was approved by the SEC on February 27, 2012 .

After the increase in authorized capital stock, PMHI subscribed to additional shares in Bloomberry. After the said subscription, PMHI owns 7,325,656,500 shares (including 60,000,000 shares purchased in January 2012) (see Note 1) constituting 78.84% ownership in Bloomberry. Other investors subscribed to 1,946,184,056 Bloomberry shares out of the said increase.

On May 1, 2012, PMHI offered and sold (the "Offer") 1,179,963,700 of its existing Bloomberry common shares (the "Offer Shares") at ₱7.50 per Offer Share (the "Offer Price"). PMHI has agreed to subscribe for, and Bloomberry has agreed to issue new shares in an amount equal to the aggregate number of Offer Shares to be sold by PMHI in the Offer and in accordance with the Over-Allotment Option (as defined below) at a price equal to the Offer Price, net of expenses incurred relative to the Offer.

In connection with the Offer, PMHI granted CLSA Limited, in its role as stabilizing agent (the "Stabilizing Agent") an option, exercisable in whole or in part for a period of 30 days from and including May 2, 2012, to purchase up to 10% of the total number of Offer Shares at the Offer Price, on the same terms and conditions as the Offer Shares, to cover over-allotments (the "Over-Allotment Option").

On May 7, 2012, PMHI subscribed to 1,179,963,700 new Bloomberry shares in replacement to the Offer Shares. Consequently, on May 31, 2012, the Stabilizing Agent exercised the Over-Allotment Option to purchase 117,996,300 shares, equivalent to 10% of the total number of Offer Shares. Additional paid-in capital arising from said transactions amounted to ₱8,024,755,840.

Transaction costs incurred relative to issuance of shares in 2012, amounting to ₱76,426,104, were charged against the additional paid-in capital in the 2012 consolidated statement of financial position.

On December 18, 2012, PMHI purchased an additional 3,000,000 Bloomberry shares from the market. Consequently, on December 28, 2012, Global Gaming Philippines, LLC (GGAM) exercised its option to acquire 921,184,056 shares of Bloomberry from PMHI.

b. Deficit

As of March 31, 2013 and December 31, 2012, deficit represents net accumulated losses of the Group.

12. Costs and Expenses

This account consists of:

	March 31, 2013 (Three Months)	March 31, 2012 (Three Months)
Operating expenses	₱1,722,031,963	₱113,494,749
Cost of sales	32,227,269	—
Interest expense	42,856,789	—
Foreign exchange losses - net	28,444,362	38,163,640
	₱1,825,560,383	₱151,658,389

13. Lease Agreements

On May 7, 2010, BRHI entered into a contract of lease with PAGCOR to lease 83,084 square meters of land for the construction of the hotel, gaming and entertainment facility. The lease period shall be for about 23 years, which shall commence upon the execution of the contract and shall be co-terminus with the term of lessor as provided in the PAGCOR charter which will expire on July 11, 2033, unless sooner revoked, rescinded or cancelled. The annual lease rental is based on the schedule provided for in the agreement. No annual lease payments are due during the first two (2) years of the lease period. Rental shall have 5% annual escalation rate starting on the 18th year of the lease period. Annual lease rental to be paid after the grace period amounts to ₱237,528,248.

BRHI has the option to purchase the entire leased property at any time under such terms and conditions as may be agreed upon with the lessor, and subject to relevant bidding laws governing the disposal and/or sale of government property including real estate property. BRHI or its designated assignee shall also have the right of first offer and a right to match the terms and conditions of a bona fide offer to purchase the leased property made by a third party.

On May 20, 2011, BRHI and Sureste entered into a deed of assignment whereby BRHI assigned to Sureste all its rights and interest as a lessee under the contract of lease with PAGCOR. Such deed of assignment was approved by PAGCOR on May 26, 2011. Pursuant to the deed of assignment, Sureste undertakes and commits that it will faithfully observe and fully comply with (a) all of the representations, covenants and undertakings of BRHI contained in the contract of lease and (b) the rules and regulations of PAGCOR, to the extent that such representations, covenants, undertakings, rules and regulations are, or may be, applicable to the lessee under the contract of lease. BRHI shall remain solidarily liable to PAGCOR for Sureste's compliance with all the obligations and liabilities of the lessee under the contract of lease.

In December 2012, BRHI and Sureste agreed to amend the above deed of assignment. Pursuant to the amended deed of assignment and with the consent of PAGCOR, BRHI assigned 89% of its leasehold rights over the leased land to Sureste and retained the 11% of such rights.

Future minimum lease payments under this operating lease follow:

	March 31, 2012	March 31, 2011
Within one year	₱237,528,248	₱237,528,248
Beyond one year but not later than five years	873,944,743	895,707,100
Beyond five years	2,838,377,314	3,048,702,616
	₱3,949,850,305	₱4,181,937,964

BRHI also entered into various lease agreements for the lease of suites in SM Arena, offices and parking spaces and others for a period of two to three years.

14. Basic/Diluted Earnings (Loss) Per Share

The following table presents information necessary to calculate earnings per common share:

	March 31, 2012	March 31, 2012
(a) Net income (loss)	(₱1,056,067,846)	(₱133,911,739)
(b) Common shares of legal parent owned by PMHI*	5,865,496,700	5,865,496,700
(c) Common shares of legal subsidiary	58,654,967	58,654,967
(d) Exchange ratio = (b)/(c)	100	100
Common shares of legal subsidiary at beginning of year	58,654,967	–
58,654,967 shares of legal subsidiary prior to acquisition by legal parent	–	39,103,311
(e) Weighted average number of legal subsidiary's common shares	58,654,967	39,103,311
(f) Weighted average number of legal parent's shares after acquisition	10,589,800,556	6,194,560,371
Basic/Diluted:		
Loss per common share (a)/[(d) x (e) + (f)]	(₱0.064)	(₱0.013)

* Computed as total consideration of ₱5,865,496,700 for the acquisition of Sureste's shares divided by Bloomberry's common share par value of ₱1.

The basic and diluted earnings per share are the same for the three months ended March 31, 2012 and 2011 as there are no dilutive potential common shares.