

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)

T H E E X E C U T I V E O F F I C E S , S O L A I R E  
R E S O R T & C A S I N O , 1 A S E A N A V E N U E ,  
E N T E R T A I N M E N T C I T Y , T A M B O ,  
P A R A Ñ A Q U E C I T Y

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

LEO VENEZUELA

(Contact Person)

245-2185

(Company Telephone Number)

1 2 3 1  
Month Day  
(Fiscal Year)

Definitive  
S E C 20 IS  
(Form Type)

any day in June  
Month Day  
(Annual Meeting)

N/A

(Secondary License Type, If Applicable)

SEC-MSRD

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section  
Total Amount of Borrowings

81  
(as of 31 March 2014)

Total No. of Stockholders

N/A

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS**

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

1. Check the appropriate box:  
[    ] Preliminary Information Statement  
[ x ] Definitive Information Statement
2. Name of Registrant as specified in its charter  
**Bloomerry Resorts Corporation**
3. Province, country or other jurisdiction of incorporation or organization  
**Philippines**
4. SEC Identification Number                      **A199904864**
5. BIR Tax Identification Code                      **204-636-102**
6. Address of Principal Office                      **The Executive Offices, Solaire Resort & Casino,  
1 Asean Avenue, Entertainment City, Tambo,  
Parañaque City**  
Postal Code                                              **1701**
7. Registrant's telephone number, including area code **(632) 883-8920**
8. Date, time and place of the meeting of security holders: June 10, 2015 at 10 a.m. to be held at the Ballroom of Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Barangay Tambo, Parañaque City
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **May 20, 2015**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

| Title of Each Class                   | Number of Shares of Stock Outstanding<br>as of <b>31 March 2015</b> |
|---------------------------------------|---------------------------------------------------------------------|
| <b>Common Shares, P1.00 par value</b> | 11,032,998,225                                                      |

11. Are any or all of registrant's securities listed in a Stock Exchange?  
Yes   ✓        No

Name of Stock Exchange:                      **Philippine Stock Exchange**  
Class of Securities Listed:                      **Common Shares**

**BLOOM MANAGEMENT IS NOT SOLICITING PROXIES FOR  
THIS ANNUAL STOCKHOLDERS' MEETING.**

**PLEASE DO NOT SEND BLOOM MANAGEMENT YOUR PROXY.**



**BLOOMBERRY RESORTS CORPORATION  
2015 ANNUAL STOCKHOLDERS' MEETING**

Notice is hereby given that the Annual Stockholders' Meeting of Bloomberg Resorts Corporation will be held at the Ballroom of Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Barangay Tambo, Parañaque City on Wednesday, June 10, 2015 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
4. Report of the President
5. Approval of the Audited Financial Statements
6. Election of the members of the Board of Directors
7. Appointment of the External Auditor
8. Other Matters

The Board of Directors fixed May 11, 2015 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 May 15, 2015

Proxy validation will be held on May 30, 2014 at the Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo Parañaque City.

Makati City, April 21, 2015.

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 Bloomberry Resorts Corporation (the "Company" or "BLOOM") will be held on June 10, 2015 at the Ballroom of Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Barangay Tambo, Parañaque City at 10:00 a.m.

The address of the principal office of BLOOM is The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo Parañaque City. This Information Statement will be mailed to Stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting on or about May 20, 2015.

### **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 March 31, 2015, there are 11,032,998,225 common shares of BLOOM issued and outstanding. Only Stockholders of record at the close of business on May 11, 2015 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 March 31, 2015, 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 |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|-------------|----------------------------|------------|
| Common Shares  | Prime Metroline Holdings, Inc.<br>18/F Liberty Center,<br>104 H.V. Dela Costa St., Salcedo Village,<br>Makati City<br>Controlling Shareholder of Issuer | Enrique K. Razon, Jr.<br>Controlling Shareholder                                                     | Filipino    | 6,407,472,444 <sup>1</sup> | 58.08%     |
| Common Shares  | Quasar Holdings, Inc.<br>18/F Liberty Center,<br>104 H.V. Dela Costa St., Salcedo Village,<br>Makati City<br>Controlling Shareholder of Issuer          | Enrique K. Razon, Jr.<br>Controlling Shareholder                                                     | Filipino    | 921,184,056 <sup>1</sup>   | 8.35%      |
| Common Shares  | PCD Nominee Corporation (Non-Filipino)<br>Makati Stock Exchange Bldg., Ayala Avenue,<br>Makati City<br>No relationship                                  | Various parties                                                                                      | Foreign     | 2,528,072,845              | 22.91%     |
| Common Shares  | PCD Nominee Corporation (Non-Filipino)<br>Makati Stock Exchange Bldg., Ayala Avenue,<br>Makati City<br>No relationship                                  | Various parties                                                                                      | Filipino    | 880,361,359                | 7.98%      |
| Common Shares  | Global Gaming Philippines, LLC<br>499 Park Avenue,<br>2 <sup>nd</sup> Floor, New York,<br>United States of America<br>No relationship                   | Global Gaming Asset Management Holdings, LLC<br>Controlling Entity of Global Gaming Philippines, LLC | Foreign     | 921,184,056                | 8.35%      |

<sup>1</sup>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 March 31, 2015

| Name                               | Citizenship | Number of Shares | Percentage of Ownership |
|------------------------------------|-------------|------------------|-------------------------|
| Enrique K. Razon, Jr. <sup>1</sup> | Filipino    | 7,584,889,332    | 68.75%                  |
| Thomas Arasi                       | American    | 100              | 0.00%                   |
| Jose Eduardo J. Alarilla           | Filipino    | 100              | 0.00%                   |
| Christian R. Gonzalez              | Filipino    | 10,826,033       | 0.10%                   |
| Estela Tuason-Occeña               | Filipino    | 100              | 0.00%                   |

|                       |           |           |       |
|-----------------------|-----------|-----------|-------|
| Donato C. Almeda      | Filipino  | 100       | 0.00% |
| Carlos C. Ejercito    | Filipino  | 100       | 0.00% |
| Jon Ramon Aboitiz     | Filipino  | 9,910,632 | 0.09% |
| Lorraine M. Koo Loo   | Singapore | 300,000   | 0.00% |
| Silverio Benny J. Tan | Filipino  | 1,980,719 | 0.02% |

<sup>1</sup> 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**

None

### **Certain Relationships and Related Transactions**

Descriptions and explanations of the related party transactions are disclosed in Note 14, *Related Party Transactions*, to the Annual Audited Consolidated Financial Statements.

Aside from the transactions as disclosed in the Annual Audited Consolidated Financial Statements, the Group does not have any other transactions with its directors, executive officers, security holders or members of their immediate family.

### **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, 2015 are:

| Office                                            | Name                        | Citizenship   | Age |
|---------------------------------------------------|-----------------------------|---------------|-----|
| Chairman of the Board and CEO                     | Enrique K. Razon Jr.        | Filipino      | 55  |
| Vice Chairman                                     | Jose Eduardo J. Alarilla    | Filipino      | 63  |
| Director, President & Chief Operating Officer     | Thomas Arasi                | American      | 57  |
| Director                                          | Christian R. Gonzalez       | Filipino      | 39  |
| Director                                          | Donato C. Almeda            | Filipino      | 60  |
| Independent Director                              | Carlos C. Ejercito          | Filipino      | 69  |
| Independent Director                              | Jon Ramon Aboitiz           | Filipino      | 66  |
| Chief Financial Officer and Treasurer             | Estela Tuason-Occeña        | Filipino      | 45  |
| Senior Vice President for International Marketing | Laurence Upton              | New Zealander | 45  |
| Senior Vice-President for Casino Marketing        | Cyrus Sherafat              | American      | 32  |
| Senior Vice President for Table Games             | Heather Alice Scheibenstock | Australian    | 47  |
| Senior Vice President for VIP Services            | Lorraine Koo Mann Loo       | Singaporean   | 38  |
| Corporate Secretary and Compliance Officer        | Silverio Benny J. Tan       | Filipino      | 58  |

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

**Enrique K. Razon, Jr. — Chairman and Chief Executive Officer**

Mr. Razon is the Chairman and the President of International Container Terminal Services, Inc. (ICTSI)\*, ICTSI Warehousing, Inc., ICTSI Foundation, Inc., Razon Industries, Inc., Prime Metroline Holdings Inc. (PMHI), Quasar Holdings Inc., Falcon Investco Holdings Inc., Achillion Holdings Inc., Collingwood Investment Company Ltd., Bravo International Port Holdings Inc. and Provident Management Group, Inc.; the CEO and the Chairman of Bloomberry Resorts and Hotels, Inc. (BRHI); the Chairman of Sureste Realty Corp., Monte Oro Resources and Energy, Inc. (MORE) and Australian Terminal Ltd.; the President of Contecon Manzanillo S.A., Tecon Suape, S.A. and Tecplata S.A.; a Director A of Contecon Guayaquil S.A.; a Director B of ICTSI Capital B.V.; and a Director of Sureste Properties, Inc. (Sureste), ICTSI (Hongkong) Ltd., Yantai International Container Terminals, Limited, Australian Container Terminals Ltd., Pentland International Holdings Ltd., CLSA Exchange Capital and Xcell Property Ventures, Inc.

Mr. Razon is a member of the American Management Association, the Management Association of the Philippines, the US Philippines Society and the World Economic Forum.

*\*Publicly-listed Corporation*

**Jose Eduardo J. Alarilla — Vice Chairman**

Mr. Alarilla is the President of 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 MORE 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.

**Thomas Arasi — Director, President and Chief Operating Officer**

Mr. Arasi was appointed as President and Chief Operating Officer of the Company effective October 11, 2013. He is also the President of Sureste and BRHI. He was formerly President and Chief Executive Officer of Marina Bay Sands Pte Ltd. He has also held senior positions with InterContinental Hotels Group as President of three major divisions, and was formerly the President of Tishman Hotel Corporation. Mr. Arasi is a graduate of Cornell University, where he received a Bachelor of Arts degree in Hotel and Restaurant Administration.

**Christian R. Gonzalez — Director**

Mr. Gonzalez is a director of BRHI, Sureste and PMHI. He is the Vice President and Head of Asia Pacific Region & Head of Manila International Container Terminal (MICT) in ICTSI\*. Mr. Gonzalez is the Chairman and/or President of ICTSI Subic, Inc., Subic Bay International Terminal Holdings, Inc. and IW Cargo Handlers, Inc.; the Chairman of ICTSI Far East Pte. Ltd.; the President Commissioner of PT Makassar Terminal Services and ICTSI Jasa Prima; and a Director of Bauan International Ports, Inc., Davao Integrated Port & Stevedoring Services Corp., Mindanao International Container Terminal Services, Inc., South Cotabato Integrated Ports Services, Inc., Subic Bay International Terminal Corp., Abbotsford Holdings, Inc., ICTSI Warehousing, Inc., Hijo International Port Services, Inc., International Container Terminal Services (India) Private Limited, and Pakistan International Container Terminal Limited. Mr. Gonzalez is a Director and the Chairman of the Board in both Yantai International Container Terminals, Limited and Victoria International Container Terminal Ltd. In 2009, Mr. Gonzalez was appointed as the Treasurer of the Board of Trustees of ICTSI Foundation, Inc. In 2010, he was elected a Director of The Country Club.

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.

*\*Publicly-listed Corporation*

**Donato C. Almeda — Director**

Mr. Almeda is director of BRHI and is the President of Bloomberry Cultural Foundation, Inc. Mr. Almeda served as President and CEO of Waterfront Philippines Inc. He also served as: President of Waterfront Cebu City Hotel, Waterfront Mactan Hotel and 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 MORE. 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 has been a director of ICTSI\* since 2008 and is the Chairman of its Audit Committee. Mr. Aboitiz is the Chairman of Aboitiz & Co., Inc. and the Vice Chairman of Aboitiz Power Corporation (AP)\*. He is the Vice Chairman of UnionBank of the Philippines\* and the Chairman of various board Committees in UnionBank. Mr. Aboitiz is the Vice President and Trustee of the Ramon Aboitiz Foundation; a Trustee and a member of the Executive Committee of the Philippine Business for Social Progress; a Trustee of the Santa Clara University - California, U.S.A.; and a member of the Board of Advisors of the Coca-Cola Export Corporation (Philippines).

*\*Publicly-listed Corporation*

**Estela Tuason-Occeña — Chief Financial Officer and Treasurer**

Ms. Occena is the Treasurer of BRHI and Director and Treasurer of PMHI. She is an Executive Officer of ICTSI\*, Chief Financial Officer of MORE, Director and Chief Financial Officer of International Cleanenvironment Systems, Inc., Treasurer of Sureste, Sureste Realty Corporation, Lakeland Village Holdings Inc., Devoncourt Estates Inc., Achillion Holdings, Inc., Bloomberry Cultural Foundation, 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.

*\*Publicly-listed Corporation*

**Laurence Upton — Senior Vice President for International Marketing**

Mr. Upton was previously with Crown Ltd, Melbourne as Senior Vice President, VIP International Marketing. He was responsible for developing a marketing office in emerging markets including China, Vietnam, Japan and Korea and other countries in the region. He had also serviced VVIP clients, the world's largest gaming customers including international celebrities. In just two years' time Mr. Upton was able to significantly grow the company's emerging market turnover. He was also previously connected with Star City Pty Ltd in a variety of senior management roles.

**Cyrus Sherafat — Senior Vice President for Casino Marketing**

Mr. Sherafat has 10 years' experience in the gaming industry working in various marketing roles both at local casinos and international integrated resorts. He was the Vice President of Casino Marketing in Marina Bay Sands in Singapore. He is a graduate of Cornell University's School of Hotel Administration. He began his career in the gaming industry with Pinnacle Entertainment, a regional casino operator in the United States.

**Heather Alice Scheibenstock — Senior Vice President for Table Games**

Heather has over 10 years of leadership experience in gaming and hospitality. Prior to joining Solaire, Heather has held several notable positions including as Executive Director of Australian Gaming and Entertainment Limited. She prepared and developed the company for listing on the Australian Stock Exchange.

She also served as the General Manager of Gaming for The Star, Sydney and provided the overall direction of gaming operations as part of the Executive Leadership Team. She has also been with several companies such as Conrad Jupiters and Gold Coast where she served as General Manager for Electronic Gaming. Prior to that, she has held various roles in hospitality and gaming.

Heather graduated at the University of Technology Sydney with a certificate in Business Administration.

**Lorraine Koo Mann Loo — Senior Vice President for VIP Services**

Ms. Koo is the Senior Vice President for VIP Services of the Company. Prior to joining Solaire Resort & Casino, she was the Senior Manager then Assistant Vice President for Casino Customer Service of the Galaxy Entertainment Group in Macau where she handled guest services for both Mass Market and Premium Direct VIP players. She also formerly held the position of Senior Executive Host at Marina Bay Sands in Singapore. Ms. Koo holds a Bachelor of Arts degree in Communications Management from Edith Cowan University in Australia.

**Silverio Benny J. Tan — Corporate Secretary and Compliance Officer**

Atty. Tan is the managing partner of the law firm Picazo Buyco Tan Fider & Santos. He is a director and corporate secretary of PMHI, 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 also 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, Sureste, BRHI, Lakeland Village Holdings Inc., and Devoncourt Estates Inc. He is the assistant corporate secretary of ICTSI\*, ICTSI Ltd., Apex Mining Co., Inc.\* and MORE. 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.

*\*Publicly-listed Corporation*

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-Occea. 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    | 55  |
| Jose Eduardo J. Alarilla | Filipino    | 63  |
| Thomas Arasi             | American    | 57  |
| Christian R. Gonzalez    | Filipino    | 39  |
| Donato C. Almeda         | Filipino    | 60  |
| Carlos C. Ejercito*      | Filipino    | 69  |
| Jon Ramon Aboitiz*       | Filipino    | 66  |

\*As Independent Director

## Item 6. Compensation of Directors and Executive Officers

The Group paid compensation in 2014 to the President and executive officers named below, as a group, amounting to ₱36.4 million.

| Name                                     | Office                                               |
|------------------------------------------|------------------------------------------------------|
| Enrique K. Razon Jr.                     | Chairman of the Board & Chief Executive Officer      |
| Jose Eduardo J. Alarilla                 | Vice Chairman                                        |
| Thomas Arasi                             | Director, President & Chief Operating Officer        |
| Christian R. Gonzalez                    | Director                                             |
| Donato C. Almeda                         | Director                                             |
| Carlos C. Ejercito                       | Independent Director                                 |
| Jon Ramon Aboitiz                        | Independent Director                                 |
| Estela Tuason-Occeña                     | Chief Financial Officer & Treasurer                  |
| Dennis Andreaci <sup>1</sup>             | Executive Vice President for Gaming                  |
| Laurence Upton <sup>2</sup>              | Senior Vice President for International Marketing    |
| Cyrus Sherafat <sup>3</sup>              | Senior Vice-President for Casino Marketing           |
| Heather Alice Scheibenstock <sup>4</sup> | Senior Vice President for Table Games                |
| Lorraine Koo Mann Loo                    | Senior Vice President for VIP Services               |
| Silverio Benny J. Tan                    | Corporate Secretary                                  |
| Amabelle C. Asuncion <sup>5</sup>        | Compliance Officer and Assistant Corporate Secretary |

<sup>1</sup>Retired effective May 9, 2014.

<sup>2</sup>Appointed effective March 3, 2014.

<sup>3</sup>Appointed effective March 17, 2014.

<sup>4</sup>Appointed effective October 16, 2014

<sup>5</sup>Appointed effective June 5, 2014 and retired on April 17, 2015

The following is the breakdown of the aggregate amount of compensation paid to the President and top four (4) executive officers in 2013 and 2014, and estimated to be paid to the President and top four (4) executive officers in 2015 named above (amounts in millions):

|                                                                                  | Year            | Salary | Bonus | Total |
|----------------------------------------------------------------------------------|-----------------|--------|-------|-------|
| President and Top 4 Executive Officers, as group:                                | 2015 (Estimate) | ₱22.7  | ₱0.6  | ₱23.3 |
|                                                                                  | 2014 (Actual)   | 21.6   | 0.6   | 22.2  |
|                                                                                  | 2013 (Actual)   | 20.3   | 6.7   | 27.0  |
| Enrique K. Razon, Jr. – <i>Chairman &amp; Chief Executive Officer</i>            |                 |        |       |       |
| Thomas Arasi – <i>President &amp; Chief Operating Officer</i>                    |                 |        |       |       |
| Dennis Andreaci – <i>Executive Vice President for Gaming (until May 9, 2014)</i> |                 |        |       |       |
| Cyrus Sherafat – <i>Senior Vice President for Casino Marketing</i>               |                 |        |       |       |
| Lorraine Koo Mann Loo – <i>Senior Vice President for VIP Services</i>            |                 |        |       |       |
| Michael French – <i>Chief Operating Officer (until September 12, 2013)</i>       |                 |        |       |       |
| Xingyu (Ed) Chen – <i>Chief Financial Officer (until June 24, 2013)</i>          |                 |        |       |       |
| All Other Officers and Directors, as a group unnamed                             | 2015 (Estimate) | P19.3  | P1.6  | P20.9 |
|                                                                                  | 2014 (Actual)   | 13.0   | 1.2   | 14.2  |
|                                                                                  | 2013 (Actual)   | 17.2   | 2.5   | 19.7  |

The members of the Board are not expected to receive any compensation in 2015. 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 2013, 2014 or in the coming year, for any service provided as a director.

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.

#### Stock Incentive Plan

The Stockholders of the Parent Company approved on June 25, 2012 a Stock Incentive Plan (SIP) for directors, officers, and employees of the Group, effective for a period of ten years unless extended by the board of directors. The Participants to the SIP are: permanent and regular employees of the Group or its affiliates with at least one year tenure; officers and directors of the Group; officers and directors of affiliates of the Group; and other persons who have contributed to the success and profitability of the Group or its affiliates.

The SIP is administered by the Stock Incentive Committee (SIC), which is composed of three directors or officers appointed by the BOD. The SIC determines the number of shares to be granted to a participant and other terms and conditions of the grant.

Unissued shares from the authorized capital stock or treasury shares which together with shares already granted under the SIP, are equivalent to seven percent (7%) of the resulting total outstanding shares of the Parent Company shall be allocated for the SIP.

The grant of shares under the SIP does not require an exercise price to be paid by the awardee. The shares awarded shall vest in two years: 50% on the first anniversary date of the award; and the other 50% on the second anniversary date of the award. Vesting grants the participant absolute beneficial title and rights over the shares, including full dividend and voting rights.

On October 1, 2013, the SIC granted the first stock awards of 5,792,700 shares with a fair value of ₱10.02 per share. On July 1, 2014, the SIC granted the second stock awards of 4,318,589 shares with a fair value of ₱10.84 per share. On October 27, 2014, the SIC granted to a senior officer stock awards totaling 4,486,000 shares with a fair value of ₱14.98 per, 50% of which has a 2-year vesting period and the other 50% has 3-year vesting period. The fair value per share is based on the market price of the stock when it was granted. On October 1, 2014 2,050,950 SIP shares granted in 2013 vested and were distributed to respective grantees in December 2014. The stock incentive obligation amounting to ₱47.7 million and ₱10.9 million for 2014 and 2013, respectively were recognized as part of "Salaries and benefits" under "Operating costs and expenses" in the consolidated financial statements

## Item 7. Independent Public Accountants

On June 5, 2014, the Stockholders of Bloomberry re-appointed SGV & Co. as external auditor to audit its financial statements.

### External Audit Fees and Services

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

**Table 8.1 Audit Fees**

|                           | For the Year Ended December 31 |           |           |
|---------------------------|--------------------------------|-----------|-----------|
| <i>In thousands pesos</i> | 2012                           | 2013      | 2014      |
| Audit                     | ₱10,794.0                      | ₱14,002.9 | ₱12,849.7 |
| Tax and others            | 1,016.4                        | 9,542.6   | 10,904.8  |
| Total                     | ₱11,810.4                      | ₱23,545.5 | ₱23,754.5 |

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. In 2013, other fees include business process review and audit assistance in the pre-opening accounting activities. In 2014, the other fees include fees for limited review services provided.

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.

## 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**

|                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                   |                      |                                     |              |               |                          |                                     |                     |                                        |                     |                                                  |                |                     |                       |                                                      |                      |
|------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|----------------------|-------------------------------------|--------------|---------------|--------------------------|-------------------------------------|---------------------|----------------------------------------|---------------------|--------------------------------------------------|----------------|---------------------|-----------------------|------------------------------------------------------|----------------------|
| 14 February 2014                                     | Appointment of Laurence Upton as Senior Vice President of International Marketing.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                   |                      |                                     |              |               |                          |                                     |                     |                                        |                     |                                                  |                |                     |                       |                                                      |                      |
| 27 February 2014                                     | Retirement of Mr. Dennis Andreaci as Executive Vice President of Gaming effective 9 May 2014                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                   |                      |                                     |              |               |                          |                                     |                     |                                        |                     |                                                  |                |                     |                       |                                                      |                      |
| 4 March 2014                                         | Appointment of Mr. Cyrus Sherafat as Senior Vice-President of Casino Marketing                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                   |                      |                                     |              |               |                          |                                     |                     |                                        |                     |                                                  |                |                     |                       |                                                      |                      |
| 16 April 2014                                        | Setting the Date, Venue, Agenda and Record Date for the 2014 Annual Stockholders' Meeting<br><br>Amendment of the Third Article of the Articles of Incorporation of the Corporation changing the place of the principal office of the Corporation to The Executive Offices, Solaire Resort & Casino, Asean Avenue, Entertainment City, Barangay Tambo, Parañaque City.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                   |                      |                                     |              |               |                          |                                     |                     |                                        |                     |                                                  |                |                     |                       |                                                      |                      |
| 5 June 2014                                          | <p>The following Executive Officers of BLOOM, were elected, namely:</p> <table> <tr> <td>Chairman of the Board and Chief Executive Officer</td><td>Enrique K. Razon Jr.</td></tr> <tr> <td>President &amp; Chief Operating Officer</td><td>Thomas Arasi</td></tr> <tr> <td>Vice Chairman</td><td>Jose Eduardo J. Alarilla</td></tr> <tr> <td>Chief Finance Officer and Treasurer</td><td>Estela Tuason-Occea</td></tr> <tr> <td>Senior Vice President for VIP Services</td><td>Lorraine Koo M. Loo</td></tr> <tr> <td>Senior Vice President of International Marketing</td><td>Laurence Upton</td></tr> <tr> <td>Corporate Secretary</td><td>Silverio Benny J. Tan</td></tr> <tr> <td>Compliance Officer and Assistant Corporate Secretary</td><td>Amabelle C. Asuncion</td></tr> </table> <p>The Board appointed the following chairmen and members of mandated committees:</p> <p><b>Audit Committee</b><br/>Jon Ramon Aboitiz - Chairman<br/>Christian R. Gonzalez<br/>Carlos C. Ejercito</p> <p><b>Nomination Committee</b><br/>Enrique K. Razon Jr. - Chairman<br/>Jose Eduardo J. Alarilla<br/>Christian R. Gonzalez<br/>Jon Ramon Aboitiz</p> <p><b>Compensation Committee</b><br/>Jose Eduardo J. Alarilla - Chairman<br/>Estela Tuason-Occea<br/>Carlos C. Ejercito</p> | Chairman of the Board and Chief Executive Officer | Enrique K. Razon Jr. | President & Chief Operating Officer | Thomas Arasi | Vice Chairman | Jose Eduardo J. Alarilla | Chief Finance Officer and Treasurer | Estela Tuason-Occea | Senior Vice President for VIP Services | Lorraine Koo M. Loo | Senior Vice President of International Marketing | Laurence Upton | Corporate Secretary | Silverio Benny J. Tan | Compliance Officer and Assistant Corporate Secretary | Amabelle C. Asuncion |
| Chairman of the Board and Chief Executive Officer    | Enrique K. Razon Jr.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                   |                      |                                     |              |               |                          |                                     |                     |                                        |                     |                                                  |                |                     |                       |                                                      |                      |
| President & Chief Operating Officer                  | Thomas Arasi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                   |                      |                                     |              |               |                          |                                     |                     |                                        |                     |                                                  |                |                     |                       |                                                      |                      |
| Vice Chairman                                        | Jose Eduardo J. Alarilla                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                   |                      |                                     |              |               |                          |                                     |                     |                                        |                     |                                                  |                |                     |                       |                                                      |                      |
| Chief Finance Officer and Treasurer                  | Estela Tuason-Occea                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                   |                      |                                     |              |               |                          |                                     |                     |                                        |                     |                                                  |                |                     |                       |                                                      |                      |
| Senior Vice President for VIP Services               | Lorraine Koo M. Loo                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                   |                      |                                     |              |               |                          |                                     |                     |                                        |                     |                                                  |                |                     |                       |                                                      |                      |
| Senior Vice President of International Marketing     | Laurence Upton                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                   |                      |                                     |              |               |                          |                                     |                     |                                        |                     |                                                  |                |                     |                       |                                                      |                      |
| Corporate Secretary                                  | Silverio Benny J. Tan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                   |                      |                                     |              |               |                          |                                     |                     |                                        |                     |                                                  |                |                     |                       |                                                      |                      |
| Compliance Officer and Assistant Corporate Secretary | Amabelle C. Asuncion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                   |                      |                                     |              |               |                          |                                     |                     |                                        |                     |                                                  |                |                     |                       |                                                      |                      |

## Summary of the Minutes of the Annual Stockholders' Meeting on June 5, 2014

The stockholders elected the following Directors:

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

The stockholders approved the amendment of the Third Article of the Corporation's Articles of Incorporation changing the place of the principal office of the Corporation to the Executive Offices, Solaire Resort & Casino, Asean Avenue, Entertainment City, Barangay Tambo, Parañaque City.

The stockholders approved all other items in the agenda.

### **Item 16. Matters not Required to be Submitted**

Not Applicable

### **Item 17. Amendment of Charter, Bylaws or Other Documents**

Not Applicable

### **Item 18. Other Proposed Actions**

#### Approval of Minutes of the Annual Stockholders' Meeting on June 5, 2014

The Minutes of the Annual Stockholders' Meeting of BLOOM held on June 5, 2014 ("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 2014 Audited Financial Statements

The audited financial statements of Company as of and for the year ended December 31, 2014 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 2014, 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 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 except for the votes indicated in proxies with specific voting instruction. 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:

| <b>Subject Matter</b>                                                   | <b>Votes Required</b>                                                |
|-------------------------------------------------------------------------|----------------------------------------------------------------------|
| 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 5, 2014 | Majority of the votes cast                                           |
| Approval of the 2014 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 2014 BLOOM Annual Report on SEC Form 17-A for the fiscal year ended 31 December 2014, as filed with the Securities and Exchange Commission, will be sent to any Stockholder at their indicated address without charge upon written request addressed to:

The Corporate Secretary  
Bloomerry Resorts Corporation

The Executive Offices, Solaire Resort & Casino  
1 Asean Avenue, Entertainment City  
Barangay Tambo, Parañaque City

#### **Item 20.Proxies:**

Not Applicable

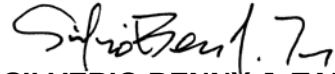
Attached herewith are the following: Annex "A" is the Management Report of the Company; Annex "B" is the audited financial statements of the Company as of December 31, 2014; Annex "C" is the unaudited interim financial statements of the Company as of March 31, 2015.

#### **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 May 15, 2015.

For and in behalf of the Board of Directors

By:

A handwritten signature in black ink, appearing to read "Silverio Benny J. Tan", with a stylized flourish at the end.

**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 Resorts Corporation (the "Company") and its subsidiaries (collectively referred to as "the Group") and should be read in conjunction with the accompanying audited financial statements and related notes as of and for the year ended December 31, 2014 and unaudited condensed consolidated financial statements and related notes for the three months ended March 31, 2015.

### 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. The Company now has Sureste, BRHI, Bloom Capital B.V., Solaire de Argentina S.A. and Solaire Korea Co., Ltd. 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 Resorts & Casino, 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. ("MOREI") 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 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.

#### *Bloom Capital B.V.*

In 2013, the Bloomberry subscribed to 60% of the capital stock of Bloom Capital B.V., a financial holding entity incorporated in the Netherlands as a private company with limited liability under the Dutch law on November 21, 2013. On October 23, 2014, Bloomberry acquired the remaining 40% capital stock of Bloom Capital B.V. In 2014, Bloom Capital B.V. acquired 94% shares in Solaire de Argentina S.A.

### *Solaire Resort & Casino*

Solaire Resort & Casino ("Solaire"), is the first Philippine premium/luxury hotel and gaming resort in Entertainment City. BRHI, as the license holder, operates the casino while Sureste operates the hotel business.

On March 16, 2013, the Group commenced commercial operations, upon completion of Phase 1 of Solaire, along with the opening of the main gaming area and initial non-gaming amenities, such as Solaire's hotel, food and beverage outlets.

Phase 1 of Solaire consists of a casino with an aggregate gaming floor area of approximately 18,500 square meters (including approximately 6,000 square meters of exclusive VIP gaming areas), with approximately 1,400 slot machines, 295 gaming tables and 88 electronic table games. Phase 1 has 488 hotel rooms, suites and bayside villas, and 15 specialty restaurants and F&B outlets including (the number of seats are approximations): 240-seat Chinese restaurant, 150-seat American steakhouse, 150-seat Japanese restaurant, 120-seat Italian restaurant, 250-seat international buffet/coffee shop, 176-seat noodle shop, 150-seat live entertainment lounge and 220-seat food court and 20 seat lobby bar, and a 50-seat lounge area. It has a multilevel parking building with approximately 1,500 parking slots, a grand ballroom with approximately 1,000 seats, spa and fitness center, and bayview promenade.

On November 22, 2014, Bloomberry opened the Sky Tower, which was previously referred to as Phase 1A development of Solaire. Contiguous to the existing Solaire Resort and Casino, the Sky tower consist of a 312 all-suite hotel, additional ten VIP gaming salons with 66 gaming tables and 223 slot machines, an exclusive House of Zhou Chinese restaurant and The Macallan Whisky and Cigar Bar for VIP gamers, state-of-the art meeting rooms (The Forum) and a lyrical theater (The Theatre). The Sky Tower also features two restaurants, the Waterside Restobar and Oasis Garden Café. The Theatre is a certified 1,760-seat lyric theatre designed to provide a superior audio-visual experience for wide range of theatre plays and musicals, dance performances, concerts, and amplified music and speech events. It is also accessible to a new multi-level parking garage that can accommodate and secure over 3,000 vehicles. The Forum is a 2,000 square meters of meeting facility with eight meeting rooms, two boardrooms and a column-free grand ballroom and a flexible pre-function area.

### **Competition**

As an integrated gaming resort designed, planned and developed according to world-class industry standards, Solaire competes with integrated tourism resorts and casinos domestically in the Philippines, as well as in Macau, Malaysia and Singapore and other casinos and resort developments that operate in Asia. The Company also believes that Solaire Resort & Casino competes against facilities in the world's other major gaming centers, including Las Vegas, Nevada, USA and Australia. In particular with respect to VIP customers, the Company expects to compete primarily with Macau, Malaysia, Singapore and Australia for customers of independent junket promoters, while the Company expects Singapore to be a strong competition for Premium Direct customers.

The Company expects to compete effectively because of its well-designed facilities and targeted gaming offerings, as well as the expertise of its current management team in effectively managing gaming and non-gaming operations, developing events and promotions for the mass market and procuring business from junket operators throughout the region.

In the Philippine gaming market, the Company is one of only four private gaming operators

granted license in Entertainment City, along with Travellers International Hotel Group, Inc. ("Travellers"), Melco Crown (Philippines) Resorts Corporation ("MCE Philippines") and Universal Entertainment Corp. ("Universal"). The Company is not aware of any other potential new private applicants for additional licenses from PAGCOR. In terms of its integrated tourism resort and tourism business, the Company competes domestically with both Philippine and foreign-owned hotels and resorts. With respect to its gaming business in particular, Solaire competes domestically with PAGCOR gaming facilities, existing privately owned casinos and the facilities, built/to be operated by the three other developers granted provisional licenses by PAGCOR in and around Entertainment City. As of end 2014, there are 11 casinos, 8 members-only slot machine VIP clubs and 3 slot machine arcades throughout the Philippines owned and/or operated by PAGCOR. In addition, outside of Entertainment City and Metro Manila, PAGCOR has licensed private casino operators in special economic zones, including four in Clark Ecozone, one in Poro Point, La Union, and one in Binangonan, Rizal. Other competitors licensed by government agencies include companies specializing in horse racing, cockfighting, lotteries, sweepstakes and other smaller-scale gaming operators.

Travellers opened Resorts World Manila in August 2009, the first PAGCOR-licensed integrated tourism resort located in the Newport City Cybertourism Zone ("Newport City") in the vicinity of Manila's international airport. Travellers is a joint venture between Genting Hong Kong Limited ("Genting HK"), a Hong Kong-based gaming operator which is a part of the Genting Group that has facilities worldwide, and Alliance Global Group, Inc. ("AGI"), a Philippine conglomerate that owns Megaworld Corporation, a large Philippine property developer. Travellers has announced that it plans to commence construction of its second integrated tourism resort, which will be located in Entertainment City, by 2017 to 2018.

City of Dreams Manila (COD) is a project of Belle Corp. thru its subsidiary, Premium Leisure Corp. and Melco Crown International. COD is an integrated tourism resort near Entertainment City on an approximately 6.2-hectare site, which initially opened its doors to the public in December 2014. This marked the formal entry of Melco Crown Entertainment into the tourism industry in the Philippines. COD, which is solely operated and managed by MCE includes gaming, hotel, retail, dining and entertainment facilities. COD's VIP and mass-market gaming facilities consist of approximately 380 gaming tables, 1,700 slot machines and 1,700 electronic table games.

Another developer, Universal, a Japan-based corporation, through its subsidiary Tiger Resorts, Leisure and Entertainment, Inc., broke ground for construction on its planned development in Entertainment City in January 2012.

The Company believes that Solaire will be able to compete effectively with these entrants by offering a superior 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. Steelman is an architecture, planning and design firm with vast experience in designing gaming resort projects throughout the world. The Group 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. KNA Design, a Los Angeles-based interior design firm was also engaged to provide interior design for the Hotel component of the Sky Tower. TPM, one of Asia's leading construction project management consultancies focused on gaming anchored hospitality development projects, was hired as the Group's project managers to oversee the

development and construction of Sky Tower. The Group retained Global Gaming Philippines LLC (“GGAM”) to provide management services but terminated it in 2013 for breach.

## **Customers**

### *Mass Market*

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

### *VIP Players*

Solaire's VIP customers are players who are on a rolling chip program at Solaire. These VIP players may come to Solaire 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 and its respective facilities and gaming offerings will meet the needs of each category of customer. Solaire's facilities is complemented by extensively trained employees with skillsets tailored to the customer base that they will be serving, allowing Solaire 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, through its subsidiaries BRHI and Sureste, has registered or applied to register trademarks in connection with the Company's properties, facilities and development projects. The following marks are duly registered: “Solaire Manila”, “Solaire Resort & Casino Manila” and device, “Solaire Resort & Casino Manila”, “Strip Steakhouse” and device, “Finestra”, “Red Lantern”, and “Lucky Noodles”. The following marks are pending registration: “Fresh”, “Food Court”, “Eclipse” and device, “Yakumi” and “Solaire Resort & Casino”. These are brand names under which the Company markets its properties and services. The Company considers these brand names to be important to the Company's business since they have the effect of developing brand identification and awareness. The Company expects to apply to register additional trademarks for its logos, club names, restaurants and other property as needed to protect its brand names.

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

## **Insurance**

The Company maintains insurance which covers incidents such as damage to property; the

transport of gaming chips, playing cards and equipment; monetary loss due to third party and/or employee theft or fraud; damage to third party property and injury / death to persons; and life, accident and medical insurance for employees. Each policy has exclusions customary in the Philippines. The Company also maintains business interruption insurance for Solaire.

The Company directly procured insurance coverage for all related risks relative to the construction of the Sky Tower.

Notwithstanding the Company's insurance coverage, damage to its facilities, equipment, machinery, buildings or other properties as a result of occurrences such as fire, explosion, intentional unlawful act or natural disaster could nevertheless materially and adversely affect the Company's financial condition and results of operations to the extent that such occurrences disrupt the Company's normal operations. In addition, there are certain types of risks that are not covered by the Company's insurance policies, including acts of war and acts of terrorism.

The Company maintains a director and officers liability insurance, which covers directors and officers for errors and omissions. The Company does not maintain key personnel insurance for any of its directors or other members of senior management.

### **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's completion and PAGCOR's approval of a final report. The US\$50 million held in escrow under the Provisional License will be released upon issuance of the regular casino gaming license. 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. It is expected that BRHI will obtain its regular gaming license in 2015 as PAGCOR has notified BRHI of its approval for the issuance of the regular gaming license in a letter dated May 5, 2015.

#### *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**

The Group recruits almost all of Solaire's gaming, hotel, food and beverage and other staff locally. The Group aims to generate jobs in Metro Manila in support of PAGCOR's policy goals, both directly as Solaire expands and indirectly should Solaire stimulate local tourism.

As at December 31, 2014, the Group employed 5,177 individuals at Solaire, 566 of whom are officers and managers, 1,290 supervisors and 3,321 are rank and file. These employees serve various departments including management and administrative, gaming, hotel operations, food and beverage, property and marketing, among others.

The Group is, and intends to continue to be, in compliance with all applicable Philippine labor and

employment regulations. The Company currently has in place internal control systems and risk management procedures to monitor compliance with labor, employment and other applicable regulations. Going forward, the Company, through its human resources and legal departments, will continue to monitor all labor issues to ensure compliance with all applicable labor and employment regulations.

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) General Risks Relating to the Group; (ii) Risks Relating to License and Regulation of the Philippine Gaming Industry; (iii) Risks Relating to the Development of Phase 1A and Future Expansion; (iv) Risks Relating to the Operation of Solaire; and (v) Risks Relating to the Philippines.

### General Risks Relating to the Group

Solaire has been operational for two years and is subject to significant risks and uncertainties. The Group's limited operating history should be considered to determine its future operating results and prospects.

The Group's businesses and assets are in the Philippines, and a significant number of its VIP customers are from Greater China, Singapore, Thailand, Malaysia and other parts of Asia. The gaming business is vulnerable to global economic downturns. In 2014, there was a drop in gaming revenues in Macau because of the crackdown on corruption and conspicuous spending, visa tightening, and tighter oversight on UnionPay card usage.

### Risks Relating to the License and Regulation of the Philippine Gaming Industry

The Company's gaming operations are dependent on the License issued by PAGCOR.

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

### Risks Relating to Future Expansion

The Group's international expansion plans and any further plans to expand Solaire may not materialize or be successful.

### Risks Relating to the Operation of Solaire

The loss of members of the Solaire's management team may adversely affect the Groups's operations, particularly given the Group's short experience in operating an integrated tourism resort such as Solaire. The Group's termination of the MSA with GGAM may have future effect on Solaire's business as there is no assurance that it will be successful with respect to the arbitration case.

Solaire faces competition in the Philippines and elsewhere in Asia, and it may have difficulty in competing and gaining the desired market share. The Group also needs to maintain, or develop additional, successful relationships with reputable independent gaming promoters to be successful as the Philippine gaming industry grows.

Solaire success partly depends on the reputation and integrity of the junket operators it engages, and the Group may be affected by a lack of probity and integrity of such operators. There could also be increased regulation or scrutiny on independent gaming promoters.

The Group is exposed to risk on credit extended to its clients. And VIP gaming customers may cause significant volatility in the Group's revenues and cash flows.

Solaire's ability to generate revenues depends to a substantial degree on Manila's development as a tourist and as a gaming destination. Metro Manila's transport infrastructure is a key component for the development of the Philippine's gaming industry.

Solaire requires a substantial number of qualified managers and employees, and is dependent on the Group's ability to recruit, train and retain a sufficient number of such qualified personnel.

#### Risks Relating to the Philippines

The occurrence of natural catastrophes could adversely affect the Group's business, financial condition or results of operations. In addition political instability in the Philippines could destabilize the country and may have a negative effect on the Group. Acts of terrorism could also destabilize the country and could have a material adverse effect on the Group's assets and financial condition.

Tensions with China and other Southeast Asian countries arising from various territorial disputes may adversely affect the Philippine economy and business environment.

#### **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. In 2013, an addendum to the contract of lease covering an additional 3,733 square meters of PAGCOR land was executed. In December 2014, a second addendum to the contract of lease covering 73,542 square meters of PAGCOR land was executed under similar terms and conditions of the original contract of lease.

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

#### **Legal Proceedings**

The Group terminated the Management Services Agreement with GGAM ("MSA") effective September 12, 2013 because of material breach of the MSA by GGAM after prior notice and failure of discussions to settle the dispute. GGAM has sent a notice of arbitration in accordance with the arbitration clause of the MSA. GGAM denies having breached the MSA and alleges that it is BRHI and Sureste who breached the MSA. BRHI and Sureste have submitted their response to the notice of arbitration. The 3-member arbitral tribunal has been duly constituted and now hears the dispute in Singapore under the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL) using Philippine law as the governing law.

BRHI and SPI have filed a petition with, which was granted by, the Regional Trial Court of Makati, a petition for measures of protection for the Bloomberry shares owned by GGAM in the form of a writ of preliminary attachment and writ of preliminary injunction to stop GGAM from disposing of

its Bloomberry shares. On February 25, 2014, the Makati Regional Trial Court (MRTC) granted the Group's application for measures of protection for the Bloomberry shares in the form of writ of preliminary attachment and writ of preliminary injunction to restrain GGAM from disposing the Bloomberry shares, and so the judgment that the arbitral tribunal may award in favor of the Group can be enforced against the Bloomberry shares. GGAM has filed a petition for review on certiorari with the Court of Appeals against the decision of the MRTC.

On April 14, 2014, GGAM file a Request for Interim Measures of Protection with the arbitral tribunal asking among others, that: (a) the parties be restored to status quo ante as of January 15, 2014; (b) GGAM be permitted to sell all of the shares pending the final award by the arbitral tribunal; and (c) BRHI and SPI and their affiliates be enjoined from taking any actions that would interfere with or prevent any sale of the shares. On December 9, 2014, the tribunal issued its Order in Respect of Claimants' Interim Measures of Protection, declaring among others, that the February 25 Order of MRTC is superseded and that parties are restored to their status quo ante as of January 15, 2014 and allowed GGAM to sell the shares. However, the arbitral tribunal expressly denied the request of GGAM to be declared full legal and beneficial owner of the shares, free of any claims, liens or encumbrances by BRHI, SPI and PMHI, and denied the request of GGAM to enjoin BRHI, SPI and PMHI and their affiliates from taking any action that would interfere with or prevent any sale of the shares. The arbitral tribunal emphasizes that it makes no declaration as to the ownership of the shares. The arbitration proceedings on the merits of the case is still ongoing.

Following the order of the arbitral tribunal, GGAM filed a Manifestation with the MRTC informing the order of the arbitral tribunal and seeking assistance in the enforcement thereof. BRHI, SPI and PMHI filed a Counter-Manifestation stating among others, the impropriety of the Manifestation given its non-compliance with requirements of the Special Rules of Court and Alternative Dispute Resolution (Special ADR Rules) for enforcement of judgement/interim measures of protection. GGAM also filed a Manifestation and Motion with the Court of Appeals seeking the same relief as that filed with the MRTC. BRHI, SPI and PMHI filed a Comment/Opposition arguing against the grant of the Motion with the Court of Appeals for non-compliance with the Special ADR Rules as well as for forum-shopping. The MRTC merely "noted" the pleadings of the parties. These incidents remains pending with the MRTC and the Court of Appeals

On June 4, 2014, BRHI filed with the Supreme Court a Petition for Certiorari and Prohibition under Rule 65 of the Rules of Court. The petition seeks to annul the issuance of the Bureau of Internal Revenue of an unlawful governmental regulation, specifically the provision in RMC 33-2013 dated April 17, 2013 subjecting the contractees and licensees of PAGCOR to income tax under the NIRC, as it violates the tax exemption granted to contractees of PAGCOR under Section 13(2)(b) of P.D. 1869. On January 5, 2015, BRHI received the Comment of the BIR dated December 17, 2014. In its Comment, the BIR raised the following defenses: 1) that the issuance of RMC 33-2013 is not tainted with grave abuse of discretion; 2) the remedy of prohibition will not lie to undo an act that is already fait accompli; and 3) tax exemptions are strictly construed against the party seeking exemption. BRHI is currently waiting for the resolution by the Supreme Court of its petition.

Except for the matter discussed in the preceding paragraph, 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.

## KEY PERFORMANCE INDICATORS (KPIs)

The following are the key performance indicators of the Group during the first quarter of 2015 and 2014:

### Key Performance Indicators

| <i>In thousands pesos except for ratios</i> | For the Three Months Ended March 31 |            |
|---------------------------------------------|-------------------------------------|------------|
|                                             | 2015                                | 2014       |
| EBITDA                                      | 1,748,131                           | 2,153,855  |
| Net Debt to Equity Ratio (D/E)              | 0.97                                | 0.92       |
| Current Ratio                               | 2.11                                | 2.85       |
| Total Assets                                | 69,920,348                          | 55,652,109 |
| Return on Equity (ROE)                      | (2.12%)                             | 8.35%      |

EBITDA is earnings before interest, taxes, depreciation and amortization.

Net Debt to Equity Ratio (D/E Ratio) is the ratio of the borrower's total liabilities net of cash to total shareholder's equity.

Current Ratio is a liquidity ratio that measures the company's ability to pay short-term obligations.

Return on Equity (ROE) is calculated by dividing the Company's annual earnings by shareholders' equity

The following table shows a summary of the operating results of the Group for the three months ended March 31, 2015 and 2014 as derived from the accompanying unaudited condensed consolidated financial statements.

### Unaudited Consolidated Statements of Income

| <i>In thousands, except % change data</i> | For the Three Months Ended March 31 |            | % Change<br>2014 vs.<br>2015 |
|-------------------------------------------|-------------------------------------|------------|------------------------------|
|                                           | 2014                                | 2015       |                              |
| Revenues                                  | ₱5,829,297                          | ₱6,343,129 | 8.8%                         |
| Cost and Expenses                         | 4,370,402                           | 6,206,614  | 42.0%                        |
| Provision for (Benefit from) Income Tax   | (2,320)                             | 669,569    | n/a                          |
| Net Income (Loss)                         | 1,461,214                           | (533,054)  | n/a                          |
| Earnings (Loss) Per Share:                |                                     |            |                              |
| Basic                                     | 0.138                               | (0.048)    | n/a                          |
| Diluted                                   | 0.138                               | (0.048)    | n/a                          |

The following are the key performance indicators for the year ended December 31, 2014 and 2013:

| <i>In thousands except for ratios</i> | For the Year Ended December 31 |            |
|---------------------------------------|--------------------------------|------------|
|                                       | 2014                           | 2013       |
| EBITDA                                | 10,083,113                     | 1,118,107  |
| Net Debt to Equity Ratio (D/E)        | 0.80                           | 0.99       |
| Current Ratio                         | 2.37                           | 1.19       |
| Total Assets                          | 67,678,095                     | 40,346,968 |
| Return on Equity (ROE)                | 15.86%                         | (8.20%)    |

EBITDA is earnings before interest, taxes, depreciation and amortization.

Net Debt to Equity Ratio (D/E Ratio) is the ratio of the borrower's total liabilities net of cash to total shareholder's equity.

Current Ratio is a liquidity ratio that measures the company's ability to pay short-term obligations.

Return on Equity (ROE) is calculated by dividing the Company's annual earnings by shareholders' equity

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, 2014, 2013 and 2012, as derived from the accompanying Audited Financial Statements. Solaire started commercial operations on March 16, 2013. The Company was in pre-operating stage as of December 31, 2012.

|                                                         | For the Year Ended December 31 |             |             | % Change     | % Change     |
|---------------------------------------------------------|--------------------------------|-------------|-------------|--------------|--------------|
| <i>In thousands, except % change and per share data</i> | 2012                           | 2013        | 2014        | 2012 vs 2013 | 2013 vs 2014 |
| Revenues                                                | ₱195,600                       | ₱12,343,983 | ₱24,122,074 | 6,210.8      | 95.4         |
| Expenses                                                | 951,976                        | 13,504,124  | 17,639,589  | 1,318.5      | 30.6         |
| Provision for (Benefit from) Income Tax                 | (68,438)                       | 154,948     | 2,410,084   | (326.4)      | 1,455.4      |
| Net Income (Loss)                                       | (687,939)                      | (1,315,090) | 4,072,401   | 91.2         | N/A          |
| Basic and Diluted Earnings (Loss) Per Share             | (0.070)                        | (0.124)     | 0.382       | 77.1         | N/A          |

## RESULTS OF OPERATIONS

### OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2015 COMPARED WITH 2014

#### REVENUES

Revenues consist of: (1) Gaming; (2) Hotel, food and beverage; (3) Retail and others; and (4) Interest income. The table below illustrates the consolidated revenues for the three months ended March 31, 2014 and 2015:

| Revenues                                  | For the Three Months Ended March 31 |            | % Change      |
|-------------------------------------------|-------------------------------------|------------|---------------|
| <i>In thousands, except % change data</i> | 2014                                | 2015       | 2014 vs. 2015 |
| Gaming                                    | ₱7,060,025                          | ₱8,090,240 | 14.6%         |
| Hotel, food and beverage                  | 285,877                             | 322,934    | 13.0%         |
| Retail and others                         | 22,547                              | 32,521     | 44.2%         |
| Interest income                           | 12,607                              | 16,951     | 34.5%         |
|                                           | 7,381,056                           | 8,462,646  | 14.7%         |
| Less contra revenue accounts              | 1,551,760                           | 2,119,517  | 36.6%         |
| Net revenues                              | 5,829,297                           | 6,343,129  | 8.8%          |

For the first quarter of 2015, gaming revenues contributed 95.6 percent of total gross revenues; hotel, food and beverage was 3.8 percent; retail and others accounted for 0.4 percent and interest income was 0.2 percent. In the same period last year, gaming revenues accounted for 95.7 percent and non-gaming (including hotel, food and beverage, retail and other) contributed 4.2 percent of gross revenues. The balance of 0.2 percent represented interest income.

### **Gaming**

Gross gaming revenue in the first quarter of 2015 increased by 14.6 percent or ₱1,030.2 million as compared to the same period last year. The opening of Sky Tower last November 2014 provided additional ten VIP gaming salons with 66 gaming tables and 223 slot machines. This quarter's gross gaming revenue was the second highest registered by the property in its two years of operation, next to the ₱9.3 billion recorded in the fourth quarter of 2014. This proved the ability of the Group to achieve sustainable growth by successfully managing and efficiently operating Solaire. Bloomberry remains committed to continuously strengthen its gaming presence in the region by signing-up new junket operators and attracting new premium direct players on property. We have marketing offices and presence in Macau, Taiwan, Japan, Korea, Malaysia and Singapore. In addition, we have hired additional VIP player development executives for deployment in our overseas offices. Sky Tower provided additional 10 VIP gaming salons that brought in 9 new junket operators. As of March 31, 2015, Solaire had signed-up with 84 junket operators, of which 35 were active in the first quarter of 2015. Mass gaming continued to achieve sustainable growth registering 17.0 percent increase from last year. This was the product of persistent marketing efforts, new promotions and experienced marketing representatives hired in the relevant period. The mass gaming player sign-ups had reached 434,000 by the end of first quarter of 2015 and the property had registered 7.9 million visitations since the opening of Solaire last March 2013.

### **Hotel, Food and Beverage**

The Group registered ₱322.9 million of hotel, food and beverage revenues, 13.0 percent higher than last year. Hotel occupancy of the Bay Tower for the first quarter of 2015 had averaged about 86.1 percent, an improvement from 79.2 percent in 2014. The Sky Tower registered 60.2 percent occupancy for the quarter. The blended average occupancy rate of both hotel towers stood at 76.0 percent for the quarter. The non-gaming related hotel cash revenues account for about 42.7 percent of total hotel revenues, while non-gaming F&B cash revenues account for 43.7 percent of total F&B revenues. Solaire's F&B outlets served approximately 500,000 covers for first quarter of 2015, an increase of 26.0 percent from 397,000 covers in 2014 with the opening of Sky Tower. The Sky Tower includes state-of-the art meeting rooms (The Forum) and a lyrical theater (The Theatre). The Sky Tower also features three restaurants, House of Zhou, the Waterside Restobar and Oasis Garden Café. With Solaire having a certified 1,760-seat lyric theatre, the property has been able to host a wide range of international and local events from theatre plays and musicals to dance performances and concerts, and amplified music and speech events.

### **Retail and Others**

The opening of Sky Tower increased the property's visitation, resulting in retail and others posting one of the highest quarterly revenue of ₱32.5 million. Retail and other revenues grew by 44.2 percent from ₱22.5 million registered in the first quarter of 2014.

### **Interest Income**

Consolidated interest income grew by 34.5 percent to ₱17.0 million in 2015 from ₱12.6 million in 2014 as the Group continued to maintain a higher cash levels. Solaire's operations contributed

almost ₱2.7 billion of cash flow, essentially unchanged year on year. The Group also made an additional ₱2.8 billion drawdown from its existing Expansion Facility.

## **COST AND EXPENSES**

Cost and expenses consist of: (1) Operating cost and expenses; (2) Interest expense; (3) Foreign exchange losses (gains); and (4) Mark-to-market losses.

The table below shows the breakdown of total expenses for 2014 and 2015.

| <b>Expenses</b>                           |                                            |                  |                      |
|-------------------------------------------|--------------------------------------------|------------------|----------------------|
| <i>In thousands, except % change data</i> | <b>For the Three Months Ended March 31</b> |                  | <b>% Change</b>      |
|                                           | <b>2014</b>                                | <b>2015</b>      | <b>2014 vs. 2015</b> |
| Costs and expenses:                       |                                            |                  |                      |
| Operating cost and expenses               | 4,354,992                                  | <b>5,752,874</b> | 32.1%                |
| Interest expense                          | 64,652                                     | <b>426,784</b>   | 560.1%               |
| Foreign exchange losses (gain) – net      | (54,430)                                   | <b>23,476</b>    | n/a                  |
| Mark-to-market loss                       | 5,188                                      | <b>3,481</b>     | (32.9%)              |
| <b>Total</b>                              | <b>4,370,402</b>                           | <b>6,206,614</b> | <b>42.0%</b>         |

Total cost and expenses of the Group for the three months ended March 31, 2015 increased by 42.0 percent to ₱6.2 billion. This significant increase was mainly due to the opening of Solaire's Sky Tower. Management will continue to promote and ramp-up the business of Sky Tower.

With a higher manpower count, additional depreciation, lease expenses, provision for doubtful accounts and higher overall property expenses with the opening of Sky Tower, operating cost and expenses increased by 32.1 percent. Operating expenses excluding depreciation and amortization rose by just 25 percent even with the opening of Sky Tower. The Group stopped capitalizing interest and other financing costs resulting in interest expense increasing by almost seven times.

The Philippine peso appreciated against the US dollar and other foreign currencies resulting in net foreign exchange loss of ₱23.5 million in the first quarter of 2015 as compared to the net foreign exchange gain of ₱54.4 million for the same period last year. The Group maintains foreign currency deposits mainly denominated in US and Hong Kong dollars.

Major components of operating cost and expenses for the first quarter of 2015 were taxes and licenses, salaries and benefits, depreciation and amortization, advertising and promotions, general office expenses, cost of sales, utilities and outside services.

## **EBITDA**

Recognizing the full operating costs of Sky Tower while ramping up its business, the Group registered ₱1.748 billion of EBITDA for the first quarter of 2015, which was 18.8 percent lower than ₱2.154 billion posted in prior year.

## **Provision for (Benefit From) Income Tax**

In the first quarter of 2015, the Group recognized ₱671.2 million of current provision for income tax. In 2014, PAGCOR granted BRHI administrative relief and temporarily reduced the license fees by 10 percentage points effective April 1, 2014. To comply with this PAGCOR directive, BRHI started accruing corporate income taxes payable to the Bureau of Internal Revenue (BIR). The benefit from income tax of ₱1.7 million and ₱2.3 million for the first quarter of 2015 and 2014, respectively, were the result of the changes in deferred tax liabilities.

## Net Income (Loss)

With higher operating cash and non-cash costs/expenses as a result of the opening of Sky Tower and non-capitalized interest expenses, the Group registered a net loss of ₱533.1 million, compared with the net income of ₱1.5 billion posted in the same period last year.

The basic loss per share of ₱0.048 for 2015 was a reversal from last year's earnings per share of ₱0.138 in the first quarter. The basic and diluted earnings (loss) per share for 2015 and 2014 were the same even after considering the shares granted under the stock incentive plan.

## OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2014 COMPARED WITH 2013

### REVENUES

Revenues consist of: (1) Gaming; (2) Hotel, food and beverage; (3) Interest income; and (4) Retail and others. The table below illustrates the consolidated revenues for the year ended December 31, 2014 and 2013:

|                                           | For the Year Ended<br>December 31 |                    | % Change     |
|-------------------------------------------|-----------------------------------|--------------------|--------------|
| <i>In thousands, except % change data</i> | 2013                              | 2014               | 2013 vs 2014 |
| Gaming                                    | ₱11,464,048                       | <b>₱22,848,968</b> | 99.3         |
| Hotel, food and beverage                  | 767,593                           | <b>1,071,429</b>   | 39.6         |
| Retail and others                         | 58,695                            | <b>116,864</b>     | 99.1         |
| Interest income                           | 53,647                            | <b>84,814</b>      | 58.1         |
| Total Revenues                            | ₱12,343,983                       | <b>₱24,122,074</b> | 95.4         |

For 2014, gaming revenues accounted for 94.7% of total revenues and hotel, food and beverage accounted for 4.4% compared with 2013 where gaming revenues accounted for 92.9%, while hotel, food and beverage accounted for 6.2%.

### Gaming

Gaming revenue for 2014 was almost 2.0 times higher than the gaming revenue registered in 2013. The Group was able to register record-breaking revenues for the year. The last quarter of 2014 saw the Group posting the highest gaming revenue for a quarter since opening day. Solaire's Management was able to intensify promotion and marketing efforts through introducing creative programs, hosting special events, launching promotions, establishing marketing presence in the Asian Region and hiring experienced senior executives in mass and VIP. As of December 31, 2014, the Group has 64 junket operators that actively bring in foreign VIP players. Solaire Rewards Club registered 406,000 members and visitation for the year had reached 4.5 million.

On November 22, 2014, The Group opened the Sky Tower, which was previously referred to as Phase 1a development of Solaire. The Group increased its total gaming tables from 299 to 369. Electronic Gaming Machines (EGM) went up by 216 bringing the total to 1,701.

### Hotel, Food and Beverage

The Group registered ₱1.1 billion of hotel, food and beverage, 39.6 percent higher than last year.

Hotel occupancy for the Bay Tower in 2014 had averaged about 86.2 percent as compared with an average occupancy rate of 84.2 percent in the same period last year. The total non-gaming related hotel cash revenues account for about 53.0 percent of total hotel revenues, while total non-gaming F&B cash revenues account for 46.7 percent of total F&B revenues. Solaire's F&B outlets were able to serve approximately 1.7 million covers for 2014 representing 21 outlets compared with around 1.2 million covers served last year for 15 outlets. The significant year-on-year improvement was mainly because of intensified promotions, first class service and amenities, excellent choices at Solaire's F&B outlets and additional 6 F&B outlets at the Sky Tower. A number of international and local events were successfully hosted by the property in 2014 driving visitations and increasing the covers for the F&B outlets and banquets.

The Sky Tower (which opened on November 22, 2014) consists of a 312-all suite hotel, an exclusive Chinese restaurant, a Spanish and Mediterranean restaurant, garden café, a whisky and cigar bar for VIP gamers, state-of-the-art meeting rooms, a lyrical theater and new multi-level parking garage that can accommodate over 3,000 vehicles. Hotel occupancy rate for Sky Tower was 65.5 percent.

### Interest Income

Consolidated interest income this year is higher by 58.1 percent from last year mainly because of higher average cash balances because of the Group's successful financing activities in 2014. In February 2014, BRHI successfully issued ₱11.425 billion in Corporate Notes and in November 2014, 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 435,000,000 shares of stock in Bloomberry at ₱13.00 per share. The net proceeds of the private placement were used by PMHI to subscribe to the equivalent number of new shares in Bloomberry at the same subscription price of ₱13.00 per share. The property was also able to generate ₱9.5 billion of positive cash flows from its operations. Proceeds from the Corporate Notes were used to finance the construction, fit-out, systems, equipment and other essential components to complete the Sky Tower.

### Retails and Others

Cash revenues from lease rentals, spa services, laundry services, communication and transportation services and other services posted ₱116.9 million for 2014, 99.1 percent higher than last year mainly because of higher visitation in 2014. The fit-out of the high-end retail area of Sky Tower is currently underway.

### EXPENSES

Total cost and expenses consist of: (1) Taxes and licenses; (2) Salaries and benefits; (3) Depreciation and amortization; (4) Advertising and promotions; (5) General office expenses; (6) Outside services and charges; (7) Provision for doubtful accounts; (8) Utilities; (9) Cost of sales; (10) Rent; (11) Communication and transportation; (12) Repair and maintenance; (13) Pre-opening expenses; and (14) Others.

The table below shows the breakdown of total expenses for 2013 and 2014.

|                                           | For the Year Ended December 31 |      | % Change     |
|-------------------------------------------|--------------------------------|------|--------------|
| <i>In thousands, except % change data</i> | 2013                           | 2014 | 2013 vs 2014 |
| Operating costs and expenses:             |                                |      |              |

|                                       |             |                    |         |
|---------------------------------------|-------------|--------------------|---------|
| Taxes and licenses                    | ₱3,421,499  | <b>₱4,256,246</b>  | 24.4    |
| Salaries and benefits                 | 2,349,874   | <b>2,930,044</b>   | 24.7    |
| Depreciation and amortization         | 2,039,224   | <b>2,817,962</b>   | 38.2    |
| Advertising and promotions            | 1,505,605   | <b>2,325,135</b>   | 54.4    |
| Office expenses                       | 752,133     | <b>1,098,545</b>   | 46.1    |
| Outside services and charges          | 507,222     | <b>699,369</b>     | 37.9    |
| Provision for doubtful accounts       | 532,705     | <b>679,659</b>     | 27.6    |
| Utilities                             | 519,179     | <b>629,042</b>     | 21.2    |
| Cost of sales                         | 529,675     | <b>624,060</b>     | 17.8    |
| Rent                                  | 218,656     | <b>220,386</b>     | 0.8     |
| Communication and transportation      | 92,172      | <b>172,646</b>     | 190.4   |
| Repairs and maintenance               | 59,455      | <b>129,315</b>     | 40.3    |
| Pre-opening expenses                  | 283,372     | -                  | (100.0) |
| Others                                | 454,329     | <b>274,515</b>     | (39.6)  |
|                                       | 13,265,099  | <b>16,856,923</b>  | 27.1    |
| Interest expense                      | 371,030     | <b>761,209</b>     | 105.2   |
| Foreign exchange losses (gains) – net | (187,467)   | <b>(3,364)</b>     | (98.2)  |
| Mark-to-market loss                   | 55,462      | <b>24,820</b>      | (55.2)  |
| Total Expenses                        | ₱13,504,124 | <b>₱17,639,589</b> | 30.6    |

## Cost and Expenses

Except for pre-opening expenses, all cost and expenses in 2014 increased as compared with the prior year mainly because it is the first full calendar year of commercial operation of Solaire. In addition in November 2014, the Group opened the Sky Tower. Total expenses grew 30.6 percent from ₱13.5 billion to ₱17.6 billion.

### Taxes and licenses

Taxes and licenses consist mainly of licenses fees (inclusive of the franchise tax) paid to PAGCOR. On April 23, 2013, the BIR issued RMC No.33-2013, clarifying that PAGCOR and its contractees and licensees are subject to 30% corporate income tax on their gaming and non-gaming revenues. BRHI, together with other Entertainment City licensees, have filed a request for administrative relief with PAGCOR from the adverse effect of RMC No. 33-2013. PAGCOR granted the request and has temporarily reduced the license fees by 10 percentage points effective April 1, 2014 (see Note 19). The higher taxes and licenses in 2014 was because of the higher gaming revenues.

### Salaries and benefits

Approximately 80% of Solaire's manpower compliment came on board in the 1<sup>st</sup> Quarter of 2013 and by opening date of the property, manpower count reached almost 4,500 from 836 at the beginning of 2013. With the opening of the Sky Tower, manpower compliment now stood at almost 5,200, which explains the higher salaries and benefits for 2014.

### Depreciation and amortization

With the opening of Sky Tower and the full year operation of Solaire, depreciation and amortization increase by 38.2 percent. Depreciation and amortization pertains to the straight-line depreciation and amortization of property and equipment as well as the operating equipment over the useful lives of these assets ranging from 2 to 20 years.

### Advertising and promotions

The Group increased its advertising and promotional activities that helped boost gaming and non-gaming revenues. Advertising and promotions consist of costs of property and brand marketing, events and promotions, print and media placements, corporate giveaways, prizes and

sponsorship of events, trade shows, exhibits and partnerships and other promotion related expenses.

#### Office expenses

General office expenses, consisting mainly of costs of gaming and office supplies, guest supplies, cleaning supplies, insurance, housekeeping supplies and team member expenses, increased by 46.1 percent because of higher level of business and the opening of Sky Tower.

#### Outside services and charges

With the full operation of Phase 1 and the opening of Sky Tower, outside services and charges increased by 37.9 percent. This account pertains to the cost of professional and third party services which include, among others, legal services, consultancy services, marketing services, security services, audit services, landscaping services and maintenance and cleaning services.

#### Provision for doubtful accounts

The Group evaluates provision for doubtful accounts based on a specific and collective review of customer accounts as well as experience with collection trends in the gaming industry and current economic and business conditions. The higher provision is attributable to a higher level of outstanding receivables.

#### Utilities

Utilities expenses is composed of electricity cost, water charges, fuel costs, gas, sewerage and cost of air conditioning supplies. These are higher due to the opening of Sky Tower and full year of operations of Phase 1.

#### Cost of sales

Cost of sales consists mainly of food and beverage costs and buying costs of retail items. The increase in 2014 is directly attributable to the increase in F&B revenues.

#### Rent

Rent consists mainly of lease rentals for the land and other real properties as well as casino, office and other equipment.

#### Communication and transportation

Communication and transportation represents cost of telephone and data communications, valet services, fleet management services and shuttle services. Costs of business travels are also charged to this account. The higher expense in 2014 was mainly due to the increase in executive travel related to business and player development.

#### Repairs and maintenance

The upkeep of the property and equipment is charged to this account, which includes the maintenance of casino equipment, furniture and fixtures, computer equipment, curtains and drapery, transportation equipment, electrical and mechanical equipment. Repairs and maintenance increased by 190.4 percent mainly because in 2013, no significant repairs and maintenance were performed because the property had just opened and was still covered by warranties.

#### Pre-opening expenses

Pre-opening expenses represent expenses incurred from January 1, 2013 until opening date of Phase 1 which are directly associated with pre-opening activities that include, among others, 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, advertising and promotions, rentals of temporary

offices and cost of the opening ceremonies.

#### Other

Other expenses consists of miscellaneous expenses mainly pertaining to complimentary service charges, representation, dues and subscriptions, freight charges, contract entertainment, trust fees, donations and community service expenses, credit card commissions and bank charges. This account decreased by 39.6 percent due to the rationalization of representation and entertainment expenses.

#### **Interest Expense**

Interest expense represents interest on the Original Facility with BDO and the unused proceeds of the Corporate Notes. The issuance of Corporate Notes resulted to higher interest expense for 2014.

#### **Foreign Exchange Losses (Gains) - Net**

The Group recognized a net foreign exchange gain for the year of ₱3.4 million as the Philippine peso depreciated against the US dollar in 2014. The Group also reported ₱187.5 million net foreign exchange gains in 2013. The Philippine peso depreciated against the US dollar from ₱44.414/US\$1 as of December 31, 2013 to ₱44.617/US\$1 as of December 31, 2014.

#### **Mark-to-Market Loss**

Mark-to-market loss was a result of the fair value determination of the embedded derivative in the prepayment option of the Group's loan with BDO as of December 31, 2014. The mark-to-market loss decreased in 2014 mainly because of the principal repayment of the Original Facility.

#### **PROVISION FOR (BENEFIT FROM) INCOME TAX**

In 2013, the Group recognized net provision for income tax of ₱154.9 million mainly arising from derecognition of deferred tax assets on NOLCO and recognition of deferred tax liability on temporary differences associated with the capitalized rent and unrealized foreign exchange gain of Sureste. As a result of PAGCOR granting the request of BRHI for administrative relief and temporarily reducing the license fees by 10 percentage points effective April 1, 2014, BRHI accrued corporate income taxes amounting ₱2.4 billion in 2014 (see Note 19).

#### **NET INCOME (LOSS)**

With record-breaking revenues and significant margin improvement in 2014, the Group was able to realize a net income of ₱4.1 billion, a big turnaround from last year's net loss of ₱1.3 billion. The unprecedented revenue growth that was achieved in 2014 was mainly due to the significant increase in volume across all gaming segments. Management was also able to significantly rationalize Solaire's costs and expenses that resulted in better margins and massive improvement in the overall efficiency in its gaming and non-gaming operations.

#### **EARNINGS (LOSS) PER SHARE**

The basic earnings per share of ₱0.382 for 2014 was also a turn-around from last year's loss per share of ₱0.124. The basic and diluted earnings per share for 2014 and 2013 were the same even after considering the shares granted in October 2013, July 2014 and October 2014 under the stock incentive plan.

There are no other significant elements of income and expense outside the Company's operating results for the year ended December 31, 2014.

## **OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2013 COMPARED WITH 2012**

### **REVENUES**

Revenues consist of: (1) Gaming; (2) Hotel, food and beverage; (3) Interest income; and (4) Retail and others. The table below illustrates the consolidated revenues for the year ended December 31, 2013 and 2012:

|                                               | <b>For the Year Ended<br/>December 31</b> |                    | <b>%<br/>Change</b> |
|-----------------------------------------------|-------------------------------------------|--------------------|---------------------|
| <i>In thousands, except %<br/>change data</i> | 2012                                      | 2013               | 2012 vs<br>2013     |
| Gaming                                        | <b>₱-</b>                                 | <b>₱11,464,048</b> | -                   |
| Hotel, food and beverage                      | -                                         | <b>767,593</b>     | -                   |
| Retail and others                             | -                                         | <b>58,696</b>      | -                   |
| Interest income                               | 195,600                                   | <b>53,647</b>      | (72.6)              |
| Total Revenues                                | <b>₱195,600</b>                           | <b>₱12,343,984</b> | 6,210.8             |

For 2013, gaming revenues accounted for 92.9% of total revenues, while hotel, food and beverage accounted for 6.2%. For 2012, interest income accounted for 100% of the total consolidated revenues.

### **Gaming**

After a very successful opening of the property on March 16, 2013, the Group focused its efforts in ramping up its gaming business. Solaire registered ₱14.9 billion of gross gaming revenues in 2013 and ₱11.5 billion net revenues after deducting promotional allowance, discounts, rebates paid through gaming promoters, progressive jackpot liability and points earned in customer loyalty program. The growth since opening date was the result of the Group's identifying and addressing operational issues relating to GGAM's failure under the MSA and intensifying promotion and marketing efforts through unveiling creative programs, hosting special events, launching promotions and other strategic marketing activities. In the 10 months of operations the Group had signed-up with about 50 junket operators to bring in foreign VIP players. The mass gaming player sign-ups also have reached 256,000 in 2013 while total visitation for the year has reached the 3 million mark.

### **Hotel, Food and Beverage**

To complement the gaming business of the property, the Group registered ₱767.6 million of hotel, food and beverage revenues. Since opening day, the hotel and food and beverage outlets had become a go-to destination for its first class service and amenities and excellent choices in its food and beverage outlets. Occupancy has reached 72% in the last quarter of 2013. With the decision of rationalizing food sources, adjusting food prices and expanding the food choices in the second quarter, patronage of F&B outlets had notably increased since then it had become very competitive vis-à-vis the local market. F&B outlets were able to serve approximately 760,000 covers for the year. In 2013 a number of international and local events were successfully hosted on the property.

## Interest Income

Consolidated interest income for 2013 decreased by 72.6 percent to ₱53.6 million from ₱195.6 million in 2012 mainly due to lower average cash balances in 2013 compared to 2012. The higher cash balance in 2012 was brought about by 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 which were used to pay PMHI for the Sureste shares amounting to ₱5.9 billion and contractors, suppliers and consultants for the development of Solaire amounting ₱12.2 billion. In 2013, drawdown from the Original Facility amounted to ₱9.6 billion. The proceeds of the loan and augmented with the excess cash in 2012 were used to finance the completion of Phase 1 and piling work of Phase 1A.

## Retails and Others

Retail revenue for the 10 months of commercial operations reached ₱28.9 million while other income consisting mainly of lease rentals, spa services, laundry services, communication and transportation services registered ₱29.8 million of revenues.

## EXPENSES

Total cost and expenses consist of: (1) Taxes and licenses; (2) Salaries and benefits; (3) Depreciation and amortization; (4) Advertising and promotions; (5) General office expenses; (6) Provisional for doubtful accounts; (7) Utilities; (8) Cost of sales; (9) Outside services and charges; (10) Pre-opening expenses; (11) Rent; (12) Communication and transportation; (13) Repair and maintenance; and (14) Others.

The table below shows the breakdown of total expenses for 2012 and 2013.

|                                           | For the Year Ended<br>December 31 |            | %<br>Change  |
|-------------------------------------------|-----------------------------------|------------|--------------|
| <i>In thousands, except % change data</i> | 2012                              | 2013       | 2012 vs 2013 |
| Operating costs and expenses:             |                                   |            |              |
| Taxes and licenses                        | ₱78,335                           | ₱3,421,499 | 4,267.8      |
| Salaries and benefits                     | 222,217                           | 2,349,874  | 957.5        |
| Depreciation and amortization             | 33,923                            | 2,039,224  | 5,911.3      |
| Advertising and promotions                | -                                 | 1,505,605  | -            |
| General office expenses                   | 37,162                            | 752,132    | 1,923.9      |
| Provision for doubtful accounts           | -                                 | 532,705    | -            |
| Utilities                                 | 10,708                            | 529,675    | 4,846.4      |
| Cost of sales                             | -                                 | 519,178    | -            |
| Outside services and charges              | 70,208                            | 507,222    | 622.5        |
| Pre-opening expenses                      | 318,786                           | 283,372    | (11.1)       |
| Rent                                      | -                                 | 218,656    | -            |
| Communication and transportation          | 38,396                            | 92,172     | 140.1        |
| Repairs and maintenance                   | 2,082                             | 59,455     | 2,755.0      |

|                                       |                 |                    |         |
|---------------------------------------|-----------------|--------------------|---------|
| Others                                | 7,538           | <b>454,328</b>     | 5,927.2 |
| Sub-total                             | 819,358         | <b>13,265,099</b>  | 1,519.0 |
| Interest expense                      | -               | <b>371,030</b>     | -       |
| Foreign exchange losses (gains) – net | 115,781         | <b>(187,467)</b>   | (261.9) |
| Mark-to-market loss                   | 16,838          | <b>55,462</b>      | 229.4   |
| Total Expenses                        | <b>₱951,976</b> | <b>₱13,504,124</b> | 1,318.5 |

## Cost and Expenses

Except for pre-opening expenses, all cost and expenses in 2013 increased by a significant percentage compared with the prior year mainly because it is the initial year of commercial operation of Solaire. Total expenses (including expenses relating to GGAM's mistakes and inefficiencies) rose over fourteen times from ₱952 million to ₱13.504 billion.

### Taxes and licenses

Taxes and licenses consist mainly of gaming taxes paid to PAGCOR.

### Salaries and benefits

Approximately 80% of Solaire's manpower compliment came on board in the 1<sup>st</sup> Quarter of 2013 and by opening date of the property, manpower count reached almost 4,500 from 836 at the beginning of 2013.

### Depreciation and amortization

Depreciation and amortization pertains to the straight-line depreciation and amortization of property and equipment as well as the operating equipment over the useful lives of these assets ranging from 2 to 20 years.

### Advertising and promotions

Advertising and promotions consist of costs of property and brand marketing, events and promotions, print and media placements, corporate giveaways, prizes and sponsorship of events, trade shows, exhibits and partnerships and other promotion related expenses.

### General office expenses

General office expenses consist mainly of costs of gaming and office supplies, guest supplies, cleaning supplies insurance, housekeeping supplies and other office expenses.

### Provision for doubtful accounts

The Group evaluates provision for doubtful accounts based on a specific review of customer accounts as well as experience with collection trends in the gaming industry and current economic and business conditions.

### Utilities

Utilities are composed of electricity cost, water charges, fuel costs, gas, sewerage and cost of air conditioning supplies.

### Cost of sales

Cost of sales consists mainly of food and beverage costs and buying costs of retail items.

### Outside services and charges

Outside services and charges pertains to cost of professional and third party services which include, among others, legal services, consultancy services, marketing services, security

services, audit services, landscaping services and maintenance and cleaning services.

#### Pre-opening expenses

Pre-opening expenses represents expenses incurred from January 1, 2013 until opening date directly associated with pre-opening activities, included, among others, 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, advertising and promotions, rentals of temporary offices and cost of the opening ceremonies.

#### Rent

Rent consists mainly of lease rentals for the land and other real properties as well as casino, office and other equipment.

#### Communication and transportation

Communication and transportation represents cost of telephone and data communications, valet services, fleet management services and shuttle services. Costs of business travels are also charged to this account.

#### Repairs and maintenance

The upkeep of the property and equipment is charged to this account, which includes the maintenance of casino equipment, furniture and fixtures, computer equipment, curtains and drapery, transportation equipment, electrical and mechanical equipment.

#### Others

Other expenses consists of miscellaneous expenses mainly pertaining to complimentary service charges, representation, dues and subscriptions, freight charges, contract entertainment, trust fees, donations and community service expenses, credit card commissions and bank charges.

### **Interest Expense**

Interest expense represents interest on the Original Facility with BDO.

### **Foreign Exchange Losses (Gains) - Net**

The Group recognized a net foreign exchange gain for the year of ₱187.5 million as the Philippine peso depreciated against the US dollar in 2013. On the other hand, the Group reported ₱115.8 million net foreign exchange losses in 2012. The Philippine peso depreciated against the US dollar from ₱41.192/US\$1 as of December 31, 2012 to ₱44.414/US\$1 as of December 31, 2013.

### **Mark-to-Market Loss**

Mark-to-market loss was a result of the fair value determination of the embedded derivative in the prepayment option of the Group's loan with BDO as of December 31, 2013. The mark-to-market loss increased in 2013 mainly because of the additional drawdowns from the Original Facility.

### **PROVISION FOR (BENEFIT FROM) INCOME TAX**

In 2013, the Group recognized net provision for income tax of ₱154.9 million mainly arising from derecognition of deferred tax assets on NOLCO and recognition of deferred tax liability on temporary differences associated with the capitalized rent and unrealized foreign exchange gain.

## NET LOSS

The Group registered a net loss of ₱1,315.1 million for 2013 compared to a net loss of ₱687.9 million in 2012. The higher loss was attributed to higher expenses (including expenses relating to GGAM's mistakes and inefficiencies), which rose over fourteen times from ₱952 million to ₱13.504 billion. Operating expenses also include almost ₱1.1 billion of expenses incurred prior to the opening of Solaire on March 16, 2013.

## EARNINGS (LOSS) PER SHARE

With the higher net loss for the year, basic loss per share increased from ₱0.070 for 2012 to ₱0.124 for 2013. 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, 2013.

## TRENDS, EVENTS OR UNCERTAINTIES AFFECTING RECURRING REVENUES AND PROFITS

The Group is exposed to a number of trends, events and uncertainties, which affect its recurring revenues and profits 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 collects revenues in various currencies and the appreciation and depreciation of the US or HK 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

The table below shows the consolidated condensed balance sheets as of December 31, 2014 and March 31, 2015:

**Consolidated Condensed Balance Sheets**

|                                           | December<br>31, | March 31,          | % Change         |
|-------------------------------------------|-----------------|--------------------|------------------|
| <i>In thousands, except % change data</i> | 2014            | 2015               | 2014 vs.<br>2015 |
| Current assets                            | ₱26,456,842     | <b>₱25,459,263</b> | (3.8)            |
| Total assets                              | 67,678,095      | <b>69,920,348</b>  | 3.3              |
| Current liabilities                       | 11,142,161      | <b>12,038,397</b>  | 8.0              |
| Total interest-bearing debt               | 32,608,251      | <b>35,197,199</b>  | 7.9              |
| Total liabilities                         | 41,998,878      | <b>45,303,055</b>  | 7.9              |
| Equity                                    | 25,678,561      | <b>24,616,636</b>  | (4.1)            |
| Current assets/total assets               | 39.09%          | <b>36.41%</b>      |                  |
| Current ratio                             | 2.37            | <b>2.11</b>        |                  |
| Debt-equity ratio <sup>1</sup>            | 1.64            | <b>1.84</b>        |                  |
| Net debt-equity ratio                     | 0.80            | <b>0.97</b>        |                  |

<sup>1</sup> Debt includes total liabilities. Equity includes total equity.

Current assets decreased slightly by 3.8 percent to ₱25.5 billion as of March 31, 2015 from ₱26.5 billion as of December 31, 2014. The decline was attributable to lower receivables as a result of additional provision for doubtful accounts.

Total assets grew by 3.3 percent to ₱69.9 billion as of March 31, 2015 from ₱67.7 billion as of December 31, 2014. The increase was mainly due to additions to property and equipment and higher noncurrent assets, which include the amounts paid for the acquisition of THE Hotel and LVegas Casino in Jeju, South Korea and the purchase of land in Muui and Silmi islands in Incheon, South Korea.

Current liabilities by the end of the quarter were slightly higher than as of December 31, 2014 at ₱12.0 billion mainly because of the additional current portion of long-term debt and the accrual of dividends payable amounting to ₱551.6 million.

Total liabilities increased by 7.9 percent from ₱42.0 billion as of December 31, 2014 to ₱45.3 billion as of March 31, 2015 due to additional drawdowns from the Expansion Facility amounting to ₱2.8 billion.

Total equity as of March 31, 2015 amounted to ₱24.6 billion, 4.1 percent lower compared with ₱25.7 billion reported as of December 31, 2014. The decrease was due to the net loss reported for the quarter amounting to ₱553.1 million and the ₱551.6 million cash dividends declared in March 2015

The table below shows the consolidated condensed balance sheets as of December 31, 2012, 2013 and 2014:

#### Balance Sheets

|                                           | As of December 31 |            |             | % Change     | % Change     |
|-------------------------------------------|-------------------|------------|-------------|--------------|--------------|
| <i>In thousands, except % change data</i> | 2012              | 2013       | 2014        | 2012 vs 2013 | 2013 vs 2014 |
| Current assets                            | ₱8,055,957        | ₱9,059,118 | ₱26,456,842 | 12.5         | 192.0        |
| Total assets                              | 28,796,048        | 40,346,963 | 67,678,095  | 40.1         | 67.7         |
| Current liabilities                       | 3,259,782         | 7,585,296  | 11,142,161  | 132.7        | 46.9         |
| Total interest-bearing debt               | 8,176,107         | 17,632,590 | 32,608,251  | 115.7        | 84.9         |
| Total liabilities                         | 11,459,412        | 24,314,053 | 41,998,878  | 112.2        | 72.7         |
| Total equity                              | 17,336,636        | 16,032,912 | 25,678,561  | (7.5)        | 60.2         |

|                                           | As of December 31 |        |        |
|-------------------------------------------|-------------------|--------|--------|
| <i>In thousands, except % change data</i> | 2012              | 2013   | 2014   |
| Current assets/total assets               | 27.98%            | 22.45% | 39.09% |
| Current ratio                             | 2.47              | 1.19   | 2.37   |
| Debt-equity ratio <sup>1</sup>            | 0.66              | 1.52   | 1.64   |
| Net debt-equity ratio <sup>2</sup>        | 0.08              | 0.99   | 0.80   |

<sup>1</sup>Debt includes all liabilities. Equity includes paid-up capital, equity reserves, share-based payment plan and deficit.

<sup>2</sup>Net Debt includes all liabilities less cash and cash equivalents and restricted cash.

Current assets increased 192.0 percent to ₱26.5 billion as of December 31, 2014 from ₱9.1 billion as of December 31, 2013. The growth was attributable to higher cash balances, receivables, and prepayment and other current assets balances mainly because of the successful financing activities in 2014, the working capital generated by operations and the opening of the Sky Tower. In February 2014, BRHI successfully issued ₱11.425 billion in Corporate Notes and in November 2014, 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 435,000,000 shares of stock in Bloomberry at ₱13.00 per share. The net proceeds of the private placement were used by PMHI to subscribe to the equivalent number of new shares in Bloomberry at the same subscription price of ₱13.00 per share. Proceeds from the Corporate Notes were used to finance the completion of Sky Tower.

Total assets grew by 67.7 percent to ₱67.7 billion as of December 31, 2014 from ₱40.3 billion as of December 31, 2013. The increase was mainly due to the completion of Sky Tower as well as the increase in ending cash balance as explained above. Total capital expenditures in 2014 reached ₱15.7 billion with the completion of the Sky Tower expansion last November 2014. With Sky Tower's opening, Bloomberry has exceeded the US\$1 billion minimum investment requirement under its gaming license.

Current liabilities also increased by 46.9 percent from ₱7.6 billion to ₱11.1 billion by the end of 2014 mainly because of accrual of liabilities contractors and suppliers of the Sky Tower and higher current portion of long-term debt. Total liabilities increased by 80.0 percent from ₱24.3 billion as of December 31, 2013 to ₱43.8 billion as of December 31, 2014 mainly due to the issuance of Corporate Notes and drawdown from the Expansion Facility amounting to ₱4.8 billion and increase in current liabilities as explained above.

Total equity as of December 31, 2014 amounted to ₱25.7 billion, 60.2 percent higher compared to the ₱16.0 billion reported as of December 31, 2013. The increase mainly resulted from the net income for the period of ₱4.1 billion and proceeds from the Placing and Subscription Transaction amounting to ₱5.6 billion. Additional paid-in capital arising from said transaction amounted to ₱5.1 billion and transaction costs incurred relative to the issuance of shares, amounting to ₱4.4 million, were charged against the additional paid-in capital.

## **MATERIAL VARIANCES AFFECTING THE BALANCE SHEET**

*Balance sheet accounts as of March 31, 2015 with variances of plus or minus 5.0 percent against December 31, 2014 balances are discussed, as follows:*

### **Current Assets**

1. Cash and cash equivalents increased as of March 31, 2015 mainly due to ₱2.7 billion cash flows generated by operations as well as ₱2.8 billion additional drawdowns from the existing Expansion Facility.
2. Current portion of restricted cash was down by ₱3.4 billion mainly due to fund transfers to operating and project bank accounts.
3. Receivables were lower for the period by 24.4 percent due to additional provision for doubtful accounts for the quarter.
4. Inventories increased by 11.0 percent due mainly to the opening of Sky Tower which required additional amounts of operating supplies.

### **Noncurrent Assets**

5. Advances to contractors declined by 10.0 percent because of the deduction of these advances to the current billings of contractors and suppliers of Sky Tower.
6. Property and equipment increased by ₱626.9 million as a result of the completion of Sky Tower and its turn over to Operations.
7. Other noncurrent assets increased by 557.3 percent to ₱3.1 billion as of March 31, 2015 due to payments made for the South Korea projects which were initially recognized under this account. These amounts will be reclassified upon completion of the relevant transactions and consolidation of these projects.

**Current Liabilities**

8. Accrued expenses and other current liabilities were slightly higher than as of December 31, 2014 mainly because of the recognition of dividends payable amounting to ₱551.6 million.
9. Current portion of long-term debt increased because of the additional principal due within one year pertaining to the Original Facility.

**Noncurrent Liabilities**

10. Long-term debt net of unamortized debt discount increased by 7.8 percent to ₱33.0 billion as of March 31, 2015 due to the ₱2.8 billion additional drawdown from the Expansion Facility.
11. Retirement liability increased by 9.1 percent to ₱143.5 million due to the accrual of normal cost for the quarter.

**Equity**

12. Share-based payment plan increased by 59.9 percent this quarter because of the recognition of current quarter's expense of ₱22.8 million.
13. Retained earnings decreased by 70.0 percent due to the net loss reported for the quarter amounting to ₱553.1 million and the ₱551.6 million cash dividends declared in March 2015.

*Balance sheet accounts as of December 31, 2014 with variances of plus or minus 5.0 percent against December 31, 2013 balances are discussed, as follows:*

**Current Assets**

1. Cash and cash equivalents increased by 142.1 percent as of December 31, 2014 mainly due to successful financing activities completed by the Group in 2014 and the additional drawdowns from the Expansion Facility. In February 2014, BRHI successfully issued ₱11.425 billion in Corporate Notes and in November 2014, Bloomberry and its parent company, PMHI, completed a Placing and Subscription Transaction. Proceeds from the issuance of Corporate Notes were used to finance the completion of Sky Tower. The property was also able to generate ₱9.5 billion of positive cash flows from its operations.
2. Proceeds from the financing activities and drawdowns from the Expansion Facility were deposited to restricted cash accounts before they were released for payment of project development costs, administrative expenses and funding of debt service and payment reserve accounts resulting to higher balance by the end of 2014. The Group reclassified the non-current portion of restricted cash amounting to ₱2.3 billion to current after exceeding the US\$1 billion minimum investment requirement under its provisional gaming license with the completion of Sky Tower.
3. Receivables increased by ₱1.6 billion, an increase of 62.5 percent, mainly due to credits issued primarily to fixed room junket operators. These credit lines are typically settled at the end of the relevant month.
4. Inventories as of December 31, 2014 amounted to ₱183.0 million, essentially at the same level as last year.
5. Prepayments and other current assets grew by 202.7 percent from ₱245.1 million as of December 31, 2013 to ₱749.5 million as of December 31, 2014 due to prepayment of rent for the additional leased area.

### **Noncurrent Assets**

6. The Group reclassified the non-current portion of restricted cash to current after exceeding the US\$1 billion minimum investment requirement under its gaming license with the completion of Sky Tower.
7. Advances to contractors declined by 75.3 percent because of the substantial completion of Sky Tower.
8. Property and equipment jumped to ₱40.5 billion as of December 31, 2014 because of the substantial completion of the Sky Tower and acquisition of equipment reduced by depreciation and amortization for the year. The remaining construction in progress pertains to the uncompleted portion of the Sky Tower, including the retail area and certain hotel floors, among others.
9. Other non-current assets decreased by 15.3 percent mainly because of the decrease in prepaid debt issue cost with the additional drawdowns from the Expansion Facility.

### **Current Liabilities**

10. Payables and other current liabilities increased by 39.3 percent to ₱9.1 billion primarily due to accrual of liabilities to contractors and suppliers of Sky Tower, accrual of income tax for the year and higher accrued interest expense.
11. Current portion of long-term debt represents principal amounts net of unamortized debt discount issue cost, which are due in 2015.

### **Noncurrent Liabilities**

12. Long-term debt net of unamortized debt discount increased by 84.3 percent to ₱30.6 billion as of December 31, 2014 due to the additional loan drawdown from the Expansion Facility with BDO and the issuance of Corporate Notes to finance the completion of Sky Tower. These were reduced by the reclassification of the loan's current portion to current liabilities due in the next twelve months.
13. The increase in deferred tax liability with the equivalent provision for income tax was the tax effect of capitalized rent and interest for the year.
14. Retirement liability increased to ₱131.5 million due to the accrual of pension cost based on the latest actuarial valuation.

### **Equity**

15. The increase in capital stock was the result of PMHI subscription to new shares of Bloomberry as a result of the Placing and Subscription transaction and the transfer of SIP shares to the participants whose SIP shares have vested in 2014 and those shares that will vest in 2015.
16. Bloomberry acquired shares from its parent company, PMHI, for the purpose of distributing these shares under the SIP. The remaining shares representing SIP shares that will vest in 2015 are recognized as treasury shares in Bloomberry's books.
17. Share based payment plan increased to ₱38.0 million. The increase pertains to the Group's stock incentive plan granted in 2014.

18. From a deficit of ₱2.5 billion as of December 31, 2013, the Group was able to turn around the business and realized ₱1.6 billion of Retained Earnings as of December 31, 2014 arising from the ₱4.1 billion net income for 2014.

*Balance sheet accounts as of December 31, 2013 with variances of plus or minus 5.0 percent against December 31, 2012 balances are discussed, as follows:*

#### **Current Assets**

1. Cash and cash equivalents decreased by 22.3 percent as of December 31, 2013 mainly due to payments to contractors and consultants for the development of Solaire, payments for pre-operating and operating expenses of the Group. Drawdowns from the Original Facility amounted to ₱9.4 billion to finance the completion of Phase 1 of Solaire and the construction of The Sky Tower.
2. Current portion of restricted cash went down by 61.2 percent mainly due to payments for project development costs, administrative expenses and funding of debt service and payment reserve accounts.
3. Receivables jumped to ₱2.5 billion an increase of 6,865.7 percent mainly due to credits issued primarily to fixed room junket operators. These credits are typically settled by the end of the relevant month.
4. Inventories as of December 31, 2013 amounted to ₱190.3 million mainly to support the operational requirements of the property.
5. Prepayments and other current assets grew by 75.7 percent from ₱139.5 million as of December 31, 2012 to ₱245.1 million as of December 31, 2013 due to prepayment of insurances and advances to trade suppliers.

#### **Noncurrent Assets**

6. Advances to contractors declined by 67.4 percent because of the completion of Phase 1 of Solaire.
7. Property and equipment jumped to ₱27.2 billion as of December 31, 2013 because of the the completion of Phase 1 of Solaire and acquisition of equipment since opening date, reduced by depreciation for the year. Property and equipment also includes accumulated development costs for the Sky Tower.
8. Deferred tax assets decreased by 100 percent due to the derecognition of deferred tax assets pertaining to net operating loss carried over (NOLCO) of Sureste from 2010 to 2013.
9. Other non-current assets increased by 294.5 percent mainly because of the purchase of hotel operating equipment and supplies which will be amortized during the start of commercial operations of the hotel and additional prepaid debt issue cost.

#### **Current Liabilities**

10. Payables and other current liabilities increased by 101.4 percent to ₱6.6 billion primarily due to outstanding chips and trade related payables and accruals with the

commencement of commercial operations of Solaire in March 2013 as well as accruals for the construction of The Sky Tower.

11. Current portion of long-term debt represents principal amounts net of unamortized debt discount issue cost, which are due in 2014.

#### Noncurrent Liabilities

12. Long-term debt net of unamortized debt discount increased by 103.1 percent to ₱16.6 billion as of December 31, 2013 due to the additional loan drawdown from the Original Facility with BDO for the completion of the Phase 1 of Solaire and drawdowns from the Expansion Facility. These were reduced by the reclassification of the loan's current portion to current liabilities due in the next twelve months.
13. Accrued rent decreased by 100 percent because of the reclassification to current portion.
14. Net deferred tax liabilities amounted to ₱68.2 million. The Group recognized a deferred tax liability and equivalent provision for income tax of ₱154.9 million for the tax effect of the capitalized rent and unrealized foreign exchange gain.
15. Retirement liability and other non-current liabilities increased to ₱47.4 million due to the accrual of pension cost based on the 2013 actuarial valuation.

#### Equity

16. Share based payment plan amounted to ₱10.9 million. This pertains to the Group's stock incentive plan granted during the last quarter of 2013
17. Deficit increased by 112.0 percent to ₱2.5 billion as of December 31, 2013 from ₱1.2 billion as of December 31, 2012 due to the ₱1.3 billion registered net loss for 2013.

### 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 three months ended March 31, 2014 and 2015:

##### Consolidated Cash Flows

| <i>In thousands, except % change data</i> | For the Three Months Ended March 31 |             | % Change      |
|-------------------------------------------|-------------------------------------|-------------|---------------|
|                                           | 2014                                | 2015        | 2014 vs. 2015 |
| Net cash provided by operating activities | ₱2,696,876                          | ₱2,691,952  | (0.2)         |
| Net cash used in investing activities     | (2,436,123)                         | (4,403,499) | 80.8          |
| Net cash provided by financing activities | 13,427,194                          | 1,740,777   | (87.0)        |
| Effect of exchange rate changes on cash   | 54,430                              | (23,476)    | n/a           |
| Net increase in cash and cash equivalents | 13,742,377                          | 5,754       | (100.0)       |
| Cash and cash equivalents, beginning      | 6,108,865                           | 19,171,425  | 213.8         |
| Cash and cash equivalents, end            | ₱19,851,241                         | ₱19,177,179 | (3.4)         |

Cash and cash equivalents increased by 8.1 percent as of March 31, 2015 mainly due ₱2.7 billion of cash flows generated by operations. The Group also made an additional drawdown of ₱2.8 billion from the Expansion Facility.

In the first quarter of 2015, the Group managed to register positive cash flows from operating activities of ₱2.7 billion, essentially unchanged from last year, despite the additional costs incurred in fully operating Sky Tower.

With the completion of Sky Tower, net cash used in investing activities in 2015 was significantly lower than in 2014. Investing activities for the first quarter mainly represented full turn over of the remaining areas of Sky Tower.

In the first quarter of 2015 the Group's financing activities were mainly drawdowns from the Expansion Facility totaling ₱2.8 billion and the partial repayment of principal of the Original Facility.

### Capital Resources

The table below shows the Group's capital sources as of December 31, 2014 and March 31, 2015:

**Table 2.6 Capital Sources**

|                                           | December 31, | March 31,   | % Change      |
|-------------------------------------------|--------------|-------------|---------------|
| <i>In thousands, except % change data</i> | 2014         | 2015        | 2014 vs. 2015 |
| Long-term debt                            | ₱32,608,251  | ₱35,197,199 | 7.9           |
| Equity                                    | 25,678,561   | 24,616,636  | (4.1)         |
|                                           | ₱58,286,812  | ₱59,813,836 | 2.6           |

Total debt and equity grew by 2.6 percent to ₱59.8 billion as of March 31, 2015 from ₱58.3 billion as of December 31, 2014. The increase was the result of the combined effect of the issuance of ₱2.7 billion additional drawdown from the Expansion Facility, the ₱553.1 million net loss for the quarter and ₱551.6 million of dividends declared in March 2015.

Please refer to Note 9 of the Notes to Unaudited Condensed Consolidated Financial Statements for the discussion on debt financing.

The table below shows the Group's consolidated cash flows for the years ended December 31, 2012, 2013 and 2014:

|                                           | For the Year Ended December 31 |              |              | % Change     | % Change     |
|-------------------------------------------|--------------------------------|--------------|--------------|--------------|--------------|
| <i>In thousands, except % change data</i> | 2012                           | 2013         | 2014         | 2012 vs 2013 | 2012 vs 2014 |
| Net cash provided by operating activities | ₱604,920                       | ₱1,730,380   | ₱8,128,794   | 186.1        | 369.8        |
| Net cash used in investing activities     | (18,018,269)                   | (12,481,879) | (14,148,490) | (30.7)       | 13.4         |
| Net cash provided by financing activities | 24,128,707                     | 8,872,503    | 19,188,796   | (63.2)       | 116.3        |

|                                                              |                   |                   |                    |           |         |
|--------------------------------------------------------------|-------------------|-------------------|--------------------|-----------|---------|
| Effect of exchange rate changes on cash and cash equivalents | (7,965)           | 108,096           | <b>(106,539)</b>   | (1,457.1) | (198.6) |
| Net increase (decrease) in cash and cash equivalents         | 6,707,392         | (1,770,900)       | <b>13,062,560</b>  | (126.4)   | (837.6) |
| Cash and cash equivalents, beginning                         | 1,172,373         | 7,879,765         | <b>6,108,865</b>   | 572.1     | (22.5)  |
| Cash and cash equivalents, end                               | <b>₱7,879,765</b> | <b>₱6,108,865</b> | <b>₱19,171,425</b> | (22.5)    | 213.8   |

Cash and cash equivalents rose by 213.8 percent as of December 31, 2014 mainly due to successful financing activities completed by the Group in 2014 and the additional drawdowns from the Expansion Facility. In February 2014, BRHI successfully issued ₱11.425 billion in Corporate Notes and in November 2014, Bloomberry and its parent company, PMHI, completed a Placing and Subscription Transaction. Proceeds from the issuance of Corporate Notes were used to finance the completion of Sky Tower. The property was also able to generate ₱9.5 billion of positive cash flows from its operations. In the Group reclassified the non-current portion of restricted cash to current after exceeding the US\$1 billion minimum investment requirement under its provisional gaming license with the completion of Sky Tower.

In 2014 the Group registered a positive cash flow from operating activities of ₱8.1 billion higher from last year's positive cash flow of ₱1.7 million. The main reason for the positive cash flows was because of the start of commercial operations of the property and higher levels of payables and other current liabilities.

Net cash used in investing activities in 2014 was higher than the level of 2013 as the bulk of the costs of completing the Sky Tower were incurred in 2014. In addition, the non-current portion of restricted cash was reclassified to current after exceeding the US\$1 billion minimum investment requirement under its provisional gaming license with the completion of Sky Tower.

In 2014 the Group's financing activities consist of the issuance of Corporate Notes amounting to ₱11.4 billion, proceeds from the Placing and Subscription transaction of ₱5.6 billion and ₱4.8 billion drawdown from the Expansion Facility. The Group paid interest in 2014 totaling ₱1.3 billion. The Corporate Notes and the Expansion Facility were used to finance the completion of the Sky Tower.

### Capital Resources

The table below shows the Group's capital sources as of December 31, 2012, 2013 and 2014:

|                                           | As of December 31 |             |                    | % Change     | % Change     |
|-------------------------------------------|-------------------|-------------|--------------------|--------------|--------------|
| <i>In thousands, except % change data</i> | 2012              | 2013        | 2014               | 2012 vs 2013 | 2013 vs 2014 |
| Long-term debt - net                      | P8,176,107        | ₱17,632,590 | <b>₱32,608,251</b> | 115.7        | 84.9         |
| Equity                                    | 17,336,636        | 16,032,913  | <b>25,678,561</b>  | (7.5)        | 60.2         |
| Total Capital                             | P25,512,743       | ₱33,665,503 | <b>₱58,286,812</b> | 32.0         | 73.1         |

Total debt and equity grew by 73.1 percent to ₱58.3 billion as of December 31, 2014 from ₱33.7 billion as of December 31, 2013. The increase was the result of the combined effect of the drawdowns from the Expansion Facility, the issuance of Corporate Notes, the Placing and

Subscription Transaction and net income for 2014.

Please refer to Note 13 of the Notes to Audited Consolidated Financial Statements for the discussion on debt financing, covenants and collaterals.

## **RISKS**

### **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 ₱23.5 million in the first quarter of 2015 and net foreign exchange gains of ₱54.4 million in the same period last year on the revaluation of its foreign currency denominated cash and cash equivalents, restricted cash, receivables and accrued expenses for the three months ended March 31, 2015 and 2014, respectively.

### **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.

Prior to the start of commercial operations of Solaire, changes 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 "Construction in Progress" under the "Property and Equipment" account in balance sheets.

### **Liquidity Risk**

Liquidity risk is the risk 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 ₱21.5 billion and ₱21.4 billion as of March 31, 2015 and December 31, 2014, respectively that are allocated to meet the Group's liquidity needs.

### **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

## Aging of Receivables

The following summarizes the aging of the Group's receivables as of March 31, 2015:

| <i>In thousands</i> |            |
|---------------------|------------|
| Current             | ₱1,319,789 |
| 90 Days             | 496,842    |
| Over 90 Days        | 2,864,128  |
| Total               | ₱4,680,759 |

## 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 Company 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 of Corporate Governance

On June 5, 2014, the Board amended the Manual of Corporate Governance of the Company. Our 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

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

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.

The Attendance of the Directors in the 2014 Board Meetings are as follows:

| Name                         | 5 February | 14 February | 27 February | 4 March | 26 March | 16 April | 5 June <sup>1</sup> | 16 October | 10 November | 18 December |
|------------------------------|------------|-------------|-------------|---------|----------|----------|---------------------|------------|-------------|-------------|
| Enrique K. Razon, Jr         | P          | P           | P           | P       | P        | P        | P                   | P          | P           | P           |
| Jose Eduardo J. Alarilla     | P          | P           | P           | P       | P        | P        | P                   | P          | P           | P           |
| Christian Martin R. Gonzalez | P          | P           | P           | P       | P        | P        | P                   | P          | P           | P           |
| Donato C. Almeda             | P          | P           | P           | P       | P        | P        | P                   | P          | P           | P           |
| Carlos C. Ejercito           | P          | P           | P           | P       | P        | P        | P                   | P          | P           | P           |
| Jon Ramon M. Aboitiz         | P          | P           | P           | P       | P        | P        | P                   | P          | P           | P           |
| Thomas Arasi                 | P          | P           | P           | P       | P        | P        | P                   | P          | P           | P           |

P – Present

A – Absent

<sup>1</sup> Organizational Meeting of the BOD

The directors and key officers of the Company attended the corporate governance seminar held on November 11, 2014.

### 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. As of the date of this report, the Audit Committee Chairman is Mr. Jon Ramon Aboitiz who serves with Mr. Christian R. Gonzalez and Mr. Carlos C. Ejercito as members.

The 2014 attendance of the audit committee are as follows:

| Office   | Name                  | Date of Election | No of Meeting Held During the year | No. of Meetings Attended | %     | Length of Service |
|----------|-----------------------|------------------|------------------------------------|--------------------------|-------|-------------------|
| Chairman | Jon Ramon Aboitiz     | 6/5/2014         | 5                                  | 5                        | 100 % | 11 Months         |
| Member   | Christian R. Gonzalez | 6/5/2014         | 5                                  | 5                        | 100 % | 11 months         |
| Member   | Carlos C. Ejercito    | 6/5/2014         | 5                                  | 4                        | 80%   | 8 months          |

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. As of the date of this report, the Nomination Committee Chairman is Mr. Enrique K. Razon, Jr. who serves with Mr. Jose Eduardo J. Alarilla, Mr. Christian R. Gonzalez and Mr. Jon Ramon Aboitiz as members.

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. As of the date of this report, the Compensation and Remuneration Committee Chairman is Mr. Eduardo J. Alarilla, who serves with Mr. Carlos C. Ejercito and Ms. Estella T. Occeña as members.

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 The Executive Offices, Solaire Manila Resort & Casino Asean Avenue, Entertainment City, Tambo, Parañaque City, Philippines.

7. Independent Audit

Part of the Company's organizational structure is the Internal Audit Department (IAD). The establishment of IAD is a positive step towards good corporate governance. Its purpose, authority and responsibilities is 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 IAD functionally reports to the Audit Committee of the Board.

8. Management and Reporting Structure

The Board together with the management has developed a 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.

## MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

### Market Information

Principal Market where Company's shares are traded: Philippine Stock Exchange  
As of the latest practicable trading date on March 31, 2015, the share prices of the Company were:

|        | Price/Share |
|--------|-------------|
| Open:  | 10.40       |
| High:  | 10.46       |
| Low:   | 10.38       |
| Close: | 10.44       |

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

| Calendar Period    | High  | Low   |
|--------------------|-------|-------|
| <b><u>2013</u></b> |       |       |
| Quarter 1          | 16.88 | 12.58 |
| Quarter 2          | 14.58 | 8.36  |
| Quarter 3          | 12.34 | 8.98  |
| Quarter 4          | 11.12 | 8.29  |
| <b><u>2014</u></b> |       |       |
| Quarter 1          | 10.30 | 8.30  |
| Quarter 2          | 12.52 | 9.61  |
| Quarter 3          | 14.00 | 10.52 |
| Quarter 4          | 15.82 | 10.98 |
| <b><u>2015</u></b> |       |       |
| Quarter 1          | 13.46 | 9.90  |

### Holder

The number of stockholders of record as of the latest practicable date on March 31, 2015 was 79 excluding PCD Nominees. Shares outstanding as of the same date were 11,032,998,225 shares of which 9,668,616,500 shares are listed at the PSE.

The following are the Company's top 20 registered common stockholders holding listed and unlisted shares as of March 31, 2015:

|     | Name                           | No. of Shares Held | % of Total |
|-----|--------------------------------|--------------------|------------|
| 1.  | Prime Metroline Holdings, Inc. | 6,407,472,444      | 58.08%     |
| 2.  | PCD Nominee (Non-Filipino)     | 2,527,772,745      | 22.91%     |
| 3.  | PCD Nominee (Filipino)         | 880,361,359        | 7.98%      |
| 4.  | Quasar Holdings, Inc.          | 921,184,056        | 8.35%      |
| 5.  | Falcon Investco Holdings Inc.  | 225,000,000        | 2.04%      |
| 6.  | Enrique K. Razon, Jr.          | 31,232,832         | 0.28%      |
| 7.  | A. Soriano Corporation         | 12,587,000         | 0.11%      |
| 8.  | Christian R. Gonzalez          | 10,826,033         | 0.10%      |
| 9.  | John Ramon M. Aboitiz          | 9,910,632          | 0.09%      |
| 10. | Silverio Benny J. Tan          | 1,980,719          | 0.02%      |
| 11. | Chadbrad Management Inc.       | 833,400            | 0.01%      |

|     |                               |         |       |
|-----|-------------------------------|---------|-------|
| 12. | Abodax Management Inc.        | 833,300 | 0.01% |
| 13. | Croker Island Management Inc. | 833,300 | 0.01% |
| 14. | Nossahead Management Inc.     | 366,667 | 0.00% |
| 15. | Lesothea Management Inc.      | 366,667 | 0.00% |
| 16. | Djibouti Management Inc.      | 366,666 | 0.00% |
| 17. | Lorraine Koo Mann Loo         | 300,000 | 0.00% |
| 18. | Medy Chua See                 | 250,000 | 0.00% |
| 19. | Clarita M. Avila              | 72,000  | 0.00% |
| 20. | Yan Yang                      | 60,000  | 0.00% |

As of March 31, 2015, the public ownership level of the Company is at 31.01%

### Dividends

On March 18, 2015, the board of directors of the Company declared a cash dividend of Five Centavos (Php0.05) per share to stockholders of record on Record Date of April 7, 2015. The payment date will be on May 5, 2015.

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

### Recent Sales of Unregistered or Exempt Securities/ Exempt Transactions

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 (P15,000,000,000) 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          |
| <b>Total</b>                          | <b>9,211,840,556</b> |

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 P7.50 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 P7.50 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 P7.50 per share.

A total of 1,297,960,000 new shares were subscribed by PMHI 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 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.

In November 2014, 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 435,000,000 shares of stock in Bloomberry at ₱13.00 per share. The net proceeds of the private placement were used by PMHI to subscribe to the equivalent number of new shares in Bloomberry at the same subscription price of ₱13.00 per share.

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

On October 1, 2014, 2,050,950 shares in the Company vested in favor of several participants under the SIP. An additional 6,146,719 shares will vest to several participants in 2015 (collectively the "SIP Shares"). On 18 December 2014, the board of directors of the Company and PMHI approved the borrowing of shares from PMHI to be transferred to the participants whose SIP shares have vested, and to AB Capital and Investment Corp. Trust & Investment Department with respect to the SIP shares that will vest in 2015, and the Subscription to new shares to replace the borrowed shares. The transfer by PMHI of shares equivalent to the SIP Shares to said participants was at a sale price of ₱12.60 per share (which was the market price of the shares when the SIP shares were crossed) and the issuance by the Company of shares equivalent to the SIP Shares at a subscription price of ₱12.60 per share to PMHI in replacement of the shares transferred by PMHI to the said participants.

The issuance of new shares to PMHI equivalent to the SIP Shares is an exempt transaction under SRC Rule Section 10.1 (k) and (e).

**Description of Registrant's Securities**

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

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

|   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|
| A | 1 | 9 | 9 | 9 | 0 | 4 | 8 | 6 | 4 |
|---|---|---|---|---|---|---|---|---|---|

Company Name

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
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| 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 |
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| o | f |   | P | r | i | m | e |   | M | e | t | r | o | l | i | n | e |   | H | o | l | d | i | n | g | s | , |   |   |
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Principal Office (No./Street/Barangay/City/Town/Province)

|   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
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| R | e | s | o | r | t |   | & |   | C | a | s | i | n | o | , |   | 1 |   | A | s | e | a | n |   | A | v | e | n | u |
| e | , |   | E | n | t | e | r | t | a | i | n | m | e | n | t |   | C | i | t | y | , |   | T | a | m | b | o | , |   |
| P | a | r | a | n | a | q | u | e |   | C | i | t | y |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |

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Department requiring the report

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Secondary License Type, If Applicable

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## COMPANY INFORMATION

Company's Email Address

leovenezuela@solaireresort.com

Company's Telephone Number/s

888-8888

Mobile Number

No. of Stockholders

79

Annual Meeting  
Month/Day

Any Day in June

Fiscal Year  
Month/Day

December 31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Leo D. Venezuela

Email Address

leovenezuela@solaireresort.com

Telephone Number/s

883-8920

Mobile Number

Contact Person's Address

|                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------|
| <b>The Executive Offices, Solaire Resort &amp; Casino, 1 Asean Avenue, Entertainment City, Tambo, Parañaque City</b> |
|----------------------------------------------------------------------------------------------------------------------|

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





# Bloomberg Resorts Corporation

March 18, 2015

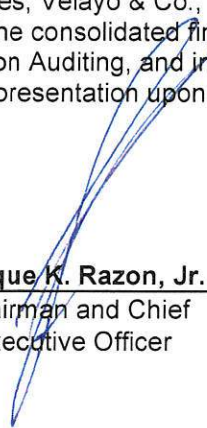
The Securities and Exchange Commission  
SEC Building, EDSA, Greenhills  
Mandaluyong City

## 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, 2014, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

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

  
Thomas Arasi  
President and Chief  
Operating Officer

  
Estella Tuason-Occena  
Chief Financial Officer  
and Treasurer

MAR 18 2015

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, affiant(s) exhibiting to me their Passports, as follows:

| NAMES                 | PASSPORT. NO. | DATE OF ISSUE    | PLACE OF ISSUE |
|-----------------------|---------------|------------------|----------------|
| Enrique K. Razon Jr.  | EB8438728     | 20 June 2013     | Manila         |
| Thomas Arasi          | 486967802     | 22 November 2011 | U.S.A          |
| Estella Tuason Occena | EC0848400     | 14 April 2014    | Manila         |

Doc. No. 233  
Page No. 48  
Book No. 1  
Series of 2015

  
CHRISTINE JEAN O. CHUA

Appointment No. M-189  
Notary Public for Makati City  
Until December 31, 2016  
Penthouse, Liberty Center

104 H.V. dela Costa Street, Makati City

Roll of Attorneys No. 63536

The Executive Offices, Solaire Resort & Casino, Asean Ave., Entertainment City, Jambao,  
Paranaque City 1701  
PTR No. 4754662/ Makati City/ 01-06-2015  
IBP No. 979431/ Quezon City/ 01-05-2015

## **INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors  
Bloomberry Resorts Corporation  
The Executive Offices, Solaire Resort & Casino  
1 Asean Avenue, Entertainment City, Tambo  
Parañaque City

We have audited the accompanying consolidated financial statements of Bloomberry Resorts Corporation and its subsidiaries (a subsidiary of Prime Metroline Holdings, Inc.), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditors' Responsibility***

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

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

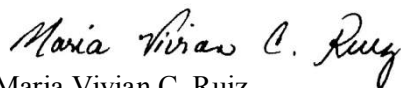
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***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, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



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. 4751319, January 5, 2015, Makati City

March 18, 2015



**BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES**  
**(A Subsidiary of Prime Metroline Holdings, Inc.)**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

|                                                                    | <b>December 31</b>     |                 |
|--------------------------------------------------------------------|------------------------|-----------------|
|                                                                    | <b>2014</b>            | <b>2013</b>     |
| <b>ASSETS</b>                                                      |                        |                 |
| <b>Current Assets</b>                                              |                        |                 |
| Cash and cash equivalents (Notes 4, 21 and 23)                     | <b>₱14,747,804,181</b> | ₱6,092,239,439  |
| Current portion of restricted cash (Notes 8, 21 and 23)            | <b>6,696,490,521</b>   | 16,625,108      |
| Receivables (Notes 5 and 21)                                       | <b>4,087,723,618</b>   | 2,514,835,718   |
| Inventories (Note 6)                                               | <b>182,959,044</b>     | 190,335,830     |
| Prepayments and other current assets (Notes 7, 19 and 21)          | <b>741,864,870</b>     | 245,082,069     |
| Total Current Assets                                               | <b>26,456,842,234</b>  | 9,059,118,164   |
| <b>Noncurrent Assets</b>                                           |                        |                 |
| Restricted cash - net of current portion (Notes 8 and 21)          | —                      | 2,254,801,647   |
| Advances to contractors (Note 9)                                   | <b>276,797,821</b>     | 1,122,604,556   |
| Property and equipment (Notes 9, 10 and 13)                        | <b>40,470,608,091</b>  | 27,351,328,806  |
| Other noncurrent assets (Notes 11 and 21)                          | <b>473,846,841</b>     | 559,115,499     |
| Total Noncurrent Assets                                            | <b>41,221,252,753</b>  | 31,287,850,508  |
|                                                                    | <b>₱67,678,094,987</b> | ₱40,346,968,672 |
| <b>LIABILITIES AND EQUITY</b>                                      |                        |                 |
| <b>Current Liabilities</b>                                         |                        |                 |
| Payables and other current liabilities (Notes 12 and 21)           | <b>₱9,148,127,697</b>  | ₱6,565,866,184  |
| Current portion of long-term debt (Notes 13 and 21)                | <b>1,994,033,232</b>   | 1,019,430,237   |
| Total Current Liabilities                                          | <b>11,142,160,929</b>  | 7,585,296,421   |
| <b>Noncurrent Liabilities</b>                                      |                        |                 |
| Long-term debt - net of current portion (Notes 13 and 21)          | <b>30,614,218,008</b>  | 16,613,159,586  |
| Deferred tax liabilities - net (Note 20)                           | <b>111,020,371</b>     | 68,215,885      |
| Retirement liability (Note 15)                                     | <b>131,478,600</b>     | 47,384,500      |
| Total Noncurrent Liabilities                                       | <b>30,856,716,979</b>  | 16,728,759,971  |
| Total Liabilities                                                  | <b>41,998,877,908</b>  | 24,314,056,392  |
| <b>Equity Attributable to Equity Holders of the Parent Company</b> |                        |                 |
| Capital stock (Notes 1 and 16)                                     | <b>11,032,998,225</b>  | 10,589,800,556  |
| Additional paid-in capital (Note 16)                               | <b>13,162,080,045</b>  | 7,948,329,736   |
| Equity reserve (Note 2)                                            | <b>(27,138,558)</b>    | (27,138,558)    |
| Treasury share (Note 16)                                           | <b>(77,448,659)</b>    | —               |
| Share-based payment plan (Note 16)                                 | <b>38,021,393</b>      | 10,883,035      |
| Retained earnings (deficit)                                        | <b>1,550,048,630</b>   | (2,488,964,831) |
| Total Equity Attributable to Equity Holders of the Parent Company  | <b>25,678,561,076</b>  | 16,032,909,938  |
| <b>Equity Attributable to Non-controlling Interests</b>            | <b>656,003</b>         | 2,342           |
| Total Equity                                                       | <b>25,679,217,079</b>  | 16,032,912,280  |
|                                                                    | <b>₱67,678,094,987</b> | ₱40,346,968,672 |

*See accompanying Notes to Consolidated Financial Statements.*



**BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES**  
**(A Subsidiary of Prime Metroline Holdings, Inc.)**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

|                                                                                                                                          | Years Ended December 31 |                  |                |
|------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------------|----------------|
|                                                                                                                                          | 2014                    | 2013             | 2012           |
| <b>REVENUES</b>                                                                                                                          |                         |                  |                |
| Gaming (Note 19)                                                                                                                         | <b>₱22,848,967,718</b>  | ₱11,464,047,689  | ₱—             |
| Hotel, food and beverage                                                                                                                 | <b>1,071,429,103</b>    | 767,593,410      | —              |
| Interest income (Notes 4 and 8)                                                                                                          | <b>84,813,536</b>       | 53,646,806       | 195,599,816    |
| Retail and others                                                                                                                        | <b>116,863,775</b>      | 58,694,637       | —              |
|                                                                                                                                          | <b>24,122,074,132</b>   | 12,343,982,542   | 195,599,816    |
| <b>COSTS AND EXPENSES</b>                                                                                                                |                         |                  |                |
| Operating costs and expenses (Notes 14 and 17)                                                                                           | <b>16,856,923,100</b>   | 13,265,098,802   | 819,357,609    |
| Interest expense (Note 13)                                                                                                               | <b>761,208,605</b>      | 371,030,034      | —              |
| Foreign exchange losses (gains) - net (Note 21)                                                                                          | <b>(3,363,559)</b>      | (187,466,625)    | 115,780,579    |
| Mark-to-market loss (Note 13)                                                                                                            | <b>24,820,450</b>       | 55,462,138       | 16,838,284     |
|                                                                                                                                          | <b>17,639,588,596</b>   | 13,504,124,349   | 951,976,472    |
| <b>INCOME (LOSS) BEFORE INCOME TAX</b>                                                                                                   | <b>6,482,485,536</b>    | (1,160,141,807)  | (756,376,656)  |
| <b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b><br>(Notes 19 and 20)                                                                      | <b>2,410,084,210</b>    | 154,948,159      | (68,437,939)   |
| <b>NET INCOME (LOSS)</b>                                                                                                                 | <b>4,072,401,326</b>    | (1,315,089,966)  | (687,938,717)  |
| <b>OTHER COMPREHENSIVE LOSS</b>                                                                                                          |                         |                  |                |
| Item that will not be reclassified to profit or loss in subsequent period -                                                              |                         |                  |                |
| Actuarial loss (Note 15)                                                                                                                 | <b>(36,068,402)</b>     | (58,541)         | —              |
| Income tax effect                                                                                                                        | <b>2,680,537</b>        | 539,363          | —              |
|                                                                                                                                          | <b>(33,387,865)</b>     | 480,822          | —              |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>                                                                                                 | <b>₱4,039,013,461</b>   | (₱1,314,609,144) | (₱687,938,717) |
| <b>Net Income (Loss) Attributable To</b>                                                                                                 |                         |                  |                |
| Equity holders of the Parent Company                                                                                                     | <b>₱4,072,401,326</b>   | (₱1,315,089,966) | (₱687,938,717) |
| Non-controlling interests                                                                                                                | —                       | —                | —              |
|                                                                                                                                          | <b>₱4,072,401,326</b>   | (₱1,315,089,966) | (₱687,938,717) |
| <b>Total Comprehensive Income (Loss) Attributable To</b>                                                                                 |                         |                  |                |
| Equity holders of the Parent Company                                                                                                     | <b>₱4,039,013,461</b>   | (₱1,314,609,144) | (₱687,938,717) |
| Non-controlling interests                                                                                                                | —                       | —                | —              |
|                                                                                                                                          | <b>₱4,039,013,461</b>   | (₱1,314,609,144) | (₱687,938,717) |
| <b>Earnings (Loss) Per Share on Net Income (Loss)</b><br><b>Attributable to Equity Holders of the Parent</b><br><b>Company (Note 22)</b> |                         |                  |                |
| Basic                                                                                                                                    | <b>₱0.382</b>           | (₱0.124)         | (₱0.070)       |
| Diluted                                                                                                                                  | <b>₱0.382</b>           | (₱0.124)         | (₱0.070)       |

*See accompanying Notes to Consolidated Financial Statements.*



# BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

(A Subsidiary of Prime Metroline Holdings, Inc.)

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

|                                                                                       | Equity Attributable to Equity Holders of the Parent Company |                               |                   |                 |                             |                              |                                |                 | Equity<br>Attributable to<br>Non-controlling |                 |
|---------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------|-------------------|-----------------|-----------------------------|------------------------------|--------------------------------|-----------------|----------------------------------------------|-----------------|
|                                                                                       | Capital Stock                                               | Additional<br>Paid-in Capital | Equity<br>Reserve | Treasury Shares | Share-based<br>Payment Plan | Cumulative<br>Actuarial Loss | Retained Earnings<br>(Deficit) | Total           | Interests                                    | Total Equity    |
| Balances at January 1, 2014                                                           | ₱10,589,800,556                                             | ₱7,948,329,736                | (₱27,138,558)     | ₱—              | ₱10,883,035                 | ₱—                           | (₱2,488,964,831)               | ₱16,032,909,938 | ₱2,342                                       | ₱16,032,912,280 |
| Net Income                                                                            | —                                                           | —                             | —                 | —               | —                           | —                            | 4,072,401,326                  | 4,072,401,326   | —                                            | 4,072,401,326   |
| Other comprehensive loss (Note 15)                                                    | —                                                           | —                             | —                 | —               | —                           | (33,387,865)                 | —                              | (33,387,865)    | —                                            | (33,387,865)    |
| Total comprehensive income                                                            | —                                                           | —                             | —                 | —               | —                           | (33,387,865)                 | 4,072,401,326                  | 4,039,013,461   | —                                            | 4,039,013,461   |
| Issuance of capital stock to PMHI (Note 16)                                           | 443,197,669                                                 | 5,219,041,760                 | —                 | —               | —                           | —                            | —                              | 5,662,239,429   | —                                            | 5,662,239,429   |
| Purchase of treasury shares (Note 16)                                                 | —                                                           | —                             | —                 | (103,290,629)   | —                           | —                            | —                              | (103,290,629)   | —                                            | (103,290,629)   |
| Issuance of treasury shares for share-based payments (Note 16)                        | —                                                           | (5,291,451)                   | —                 | 25,841,970      | (20,550,519)                | —                            | —                              | —               | —                                            | —               |
| Share-based payments (Note 16)                                                        | —                                                           | —                             | —                 | —               | 47,688,877                  | —                            | —                              | 47,688,877      | —                                            | 47,688,877      |
| Remeasurement loss on defined benefit plan transferred to retained earnings (Note 15) | —                                                           | —                             | —                 | —               | —                           | 33,387,865                   | (33,387,865)                   | —               | —                                            | —               |
| Changes in non-controlling interests (Note 1)                                         | —                                                           | —                             | —                 | —               | —                           | —                            | —                              | —               | 653,661                                      | 653,661         |
| Balances at December 31, 2014                                                         | ₱11,032,998,225                                             | ₱13,162,080,045               | (₱27,138,558)     | (₱77,448,659)   | ₱38,021,393                 | ₱—                           | ₱1,550,048,630                 | ₱25,678,561,076 | ₱656,003                                     | ₱25,679,217,079 |
| Balances at January 1, 2013                                                           | ₱10,589,800,556                                             | ₱7,948,329,736                | (₱27,138,558)     | ₱—              | ₱—                          | ₱—                           | (₱1,174,355,687)               | ₱17,336,636,047 | ₱—                                           | ₱17,336,636,047 |
| Net loss                                                                              | —                                                           | —                             | —                 | —               | —                           | —                            | (1,315,089,966)                | (1,315,089,966) | —                                            | (1,315,089,966) |
| Other comprehensive income                                                            | —                                                           | —                             | —                 | —               | —                           | 480,822                      | —                              | 480,822         | —                                            | 480,822         |
| Total comprehensive loss                                                              | —                                                           | —                             | —                 | —               | —                           | 480,822                      | (1,315,089,966)                | (1,314,609,144) | —                                            | (1,314,609,144) |
| Share-based payments (Note 16)                                                        | —                                                           | —                             | —                 | —               | 10,883,035                  | —                            | —                              | ₱10,883,035     | —                                            | 10,883,035      |
| Remeasurement loss on defined benefit plan transferred to retained earnings (Note 15) | —                                                           | —                             | —                 | —               | —                           | (480,822)                    | 480,822                        | —               | —                                            | —               |
| Subsidiary’s issuance of capital stock to non-controlling interests                   | —                                                           | —                             | —                 | —               | —                           | —                            | —                              | —               | 2,342                                        | 2,342           |
| Balances at December 31, 2013                                                         | ₱10,589,800,556                                             | ₱7,948,329,736                | (₱27,138,558)     | ₱—              | ₱10,883,035                 | ₱—                           | (₱2,488,964,831)               | ₱16,032,909,938 | ₱2,342                                       | ₱16,032,912,280 |
| Balances at January 1, 2012                                                           | ₱80,000,000                                                 | ₱—                            | ₱5,755,949,217    | ₱—              | ₱—                          | ₱—                           | (₱486,416,970)                 | ₱5,349,532,247  | ₱—                                           | ₱5,349,532,247  |
| Net loss                                                                              | —                                                           | —                             | —                 | —               | —                           | —                            | (687,938,717)                  | (687,938,717)   | —                                            | (687,938,717)   |
| Other comprehensive income                                                            | —                                                           | —                             | —                 | —               | —                           | —                            | —                              | —               | —                                            | —               |
| Total comprehensive income                                                            | —                                                           | —                             | —                 | —               | —                           | —                            | (687,938,717)                  | (687,938,717)   | —                                            | (687,938,717)   |
| Issuance of capital stock (Note 16)                                                   | 10,509,800,556                                              | 7,948,329,736                 | —                 | —               | —                           | —                            | —                              | 18,458,130,292  | —                                            | 18,458,130,292  |
| Movement in equity reserve (Note 2)                                                   | —                                                           | —                             | (5,783,087,775)   | —               | —                           | —                            | —                              | (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 | ₱—                                           | ₱17,336,636,047 |

See accompanying Notes to Consolidated Financial Statements.



**BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES**  
**(A Subsidiary of Prime Metroline Holdings, Inc.)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|                                                        | Years Ended December 31 |                  |                  |
|--------------------------------------------------------|-------------------------|------------------|------------------|
|                                                        | 2014                    | 2013             | 2012             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>            |                         |                  |                  |
| Income (loss) before income tax                        | <b>₱6,482,485,536</b>   | (₱1,160,141,807) | (₱756,376,656)   |
| Adjustments for:                                       |                         |                  |                  |
| Depreciation and amortization (Notes 10, 11 and 17)    | <b>2,817,962,191</b>    | 2,039,223,501    | 33,923,083       |
| Interest expense (Note 13)                             | <b>761,208,605</b>      | 371,030,034      | —                |
| Provision for doubtful accounts (Notes 5 and 17)       | <b>679,659,275</b>      | 532,705,442      | —                |
| Interest income (Notes 4 and 8)                        | <b>(84,813,536)</b>     | (53,646,805)     | (195,599,816)    |
| Share-based payment expense (Note 16)                  | <b>47,688,877</b>       | 10,883,035       | —                |
| Mark-to-market loss (Note 13)                          | <b>24,820,450</b>       | 55,462,138       | 16,838,284       |
| Unrealized foreign exchange (gains) losses - net       | <b>(12,493,466)</b>     | (199,753,133)    | 115,780,579      |
| Loss on retirement of property and equipment           |                         |                  |                  |
| (Note 10)                                              | —                       | 798,617          | —                |
| Operating income (loss) before working capital changes | <b>10,716,517,932</b>   | 1,596,561,022    | (785,434,526)    |
| Decrease (increase) in:                                |                         |                  |                  |
| Receivables                                            | <b>(2,133,344,602)</b>  | (2,924,281,420)  | (34,151,124)     |
| Inventories                                            | <b>7,376,786</b>        | (189,702,434)    | —                |
| Prepayments and other current assets                   | <b>(521,603,252)</b>    | (123,141,205)    | (54,855,025)     |
| Due from related parties                               | —                       | —                | 319,716,760      |
| Increase in:                                           |                         |                  |                  |
| Payables and other current liabilities                 | <b>1,333,601,292</b>    | 3,277,362,687    | 949,901,949      |
| Retirement liability                                   | <b>48,025,698</b>       | 35,560,159       | 11,765,800       |
| Net cash generated from operations                     | <b>9,450,573,854</b>    | 1,672,358,809    | 406,943,834      |
| Interest received                                      | <b>84,643,838</b>       | 58,021,084       | 198,046,325      |
| Income taxes paid                                      | <b>(1,406,424,182)</b>  | —                | (70,106)         |
| Net cash provided by operating activities              | <b>8,128,793,510</b>    | 1,730,379,893    | 604,920,053      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>            |                         |                  |                  |
| Acquisition of property and equipment (Note 10)        | <b>(10,793,501,467)</b> | (10,776,405,402) | (8,827,069,139)  |
| Decrease (increase) in:                                |                         |                  |                  |
| Advances to contractors                                | <b>(3,234,903,914)</b>  | (1,057,340,309)  | (3,324,702,436)  |
| Other noncurrent assets                                | <b>(102,015,846)</b>    | (575,369,277)    | (47,279,148)     |
| Restricted cash - net of current portion               | <b>(18,068,461)</b>     | (72,764,037)     | (35,273,095)     |
| Payment for acquisition of Sureste (Note 1)            | —                       | —                | (5,865,496,700)  |
| Cash acquired from acquisition of Sureste              | —                       | —                | 81,551,355       |
| Net cash used in investing activities                  | <b>(14,148,489,688)</b> | (12,481,879,025) | (18,018,269,163) |

(Forward)



|                                                                         | Years Ended December 31 |                 |                |
|-------------------------------------------------------------------------|-------------------------|-----------------|----------------|
|                                                                         | 2014                    | 2013            | 2012           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                             |                         |                 |                |
| Net proceeds from availment of loans                                    | ₱15,989,691,633         | ₱9,380,331,202  | ₱5,670,576,216 |
| Payment of principal                                                    | (1,082,850,000)         | —               | —              |
| Payment of interest                                                     | (1,277,648,460)         | (507,830,728)   | —              |
| Net proceeds from issuance of capital stock                             | 5,662,239,429           | —               | 18,458,130,292 |
| Acquisition of treasury shares                                          | (103,290,629)           | —               | —              |
| Acquisition of minority interest                                        | (2,342)                 | —               | —              |
| Net proceeds from issuance of capital stock to non-controlling interest | 656,003                 | 2,342           | —              |
| Net cash provided by financing activities                               | 19,188,795,634          | 8,872,502,816   | 24,128,706,508 |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>     | (106,539,409)           | 108,095,920     | (7,965,198)    |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>             | 13,062,560,047          | (1,770,900,396) | 6,707,392,200  |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                   |                         |                 |                |
| Cash and cash equivalents (Note 4)                                      | 6,092,239,439           | 7,836,932,348   | 573,299,664    |
| Current portion of restricted cash (Notes 2 and 8)                      | 16,625,108              | 42,832,595      | 599,073,079    |
|                                                                         | 6,108,864,547           | 7,879,764,943   | 1,172,372,743  |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                         |                         |                 |                |
| Cash and cash equivalents (Note 4)                                      | 14,747,804,181          | 6,092,239,439   | 7,836,932,348  |
| Current portion of restricted cash (Notes 2, 8 and 23)                  | 4,423,620,413           | 16,625,108      | 42,832,595     |
|                                                                         | ₱19,171,424,594         | ₱6,108,864,547  | ₱7,879,764,943 |

See accompanying Notes to Consolidated Financial Statements.



**BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES**  
**(A Subsidiary of Prime Metroline Holdings, Inc.)**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Organization and Business**

**a. Corporate Information**

Bloomberry Resorts Corporation (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. Until 2003, Bloomberry was mainly engaged in the manufacture and distribution of consumer communication and electronic equipment and operated within the Subic Bay Freeport Zone (SBFZ) under 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 The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo, Parañaque City.

The consolidated financial statements have been approved and authorized for issuance by the Board of Directors (BOD) on March 18, 2015.

**b. Change in Ownership of Bloomberry**

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 from Active Alliance, Incorporated to Bloomberry Resorts Corporation and change in the primary purpose to that of a holding company.

In November and December 2014, PMHI subscribed to 435.0 million shares and 8,197,669 shares, respectively, to replace the same number of shares that it sold in a private placement to various investors and the shares that the Parent Company borrowed for share-based payments (see Note 16).

As of December 31, 2014 and 2013, PMHI (the ultimate parent company) owns 58.08% and 60.51% of Bloomberry, respectively (see Note 16).

**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. Consequently, Bloomberry’s subsidiaries include Sureste and its wholly-owned subsidiary, Bloomberry Resorts and Hotels Inc. (BRHI) (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, amusement areas and themed development components.

On November 21, 2013, Bloomberry subscribed to 60% of the capital stock of Bloom Capital B.V., a financial holding entity incorporated in the Netherlands as a private company with limited liability under the Dutch law on November 21, 2013. On October 23, 2014, Bloomberry acquired the remaining 40% of the capital stock of Bloom Capital B.V. In 2014, Bloom Capital B.V. acquired 94% shares in Solaire de Argentina S.A.

In December 2014, Solaire Korea Co., Ltd. was established by Bloomberry to hold the company's investment in the leisure and entertainment business in Republic of Korea.

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 (the "Project"). 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 "Solair", 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.

Solair is one of the Philippines' first premium/luxury hotel and gaming resort. The 16-hectare gaming and integrated resort complex along Asean Avenue in Parañaque City is the first casino to operate within Entertainment City. BRHI, as the license holder, operates the casino while Sureste operates the hotel business.

On March 16, 2013, BRHI and Sureste commenced commercial operations, upon completion of Phase 1 of Solair, now referred to as the Bay Tower, along with the opening of the main gaming area and initial non-gaming amenities, such as Solair's hotel, food and beverage outlets.

On November 22, 2014, the Group opened the Sky Tower, which was previously referred to as Phase 1A development of Solair. Contiguous to the existing Solair Resort and Casino, the Sky Tower consist of a 312 all-suite hotel, additional ten gaming salons, an exclusive Chinese restaurant and a whisky and cigar bar for VIP gamers, state-of-the art meeting rooms and a lyrical theater. The Sky Tower also features two restaurants.

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## 2. Summary of Significant Accounting Policies and Disclosures

### Basis of Preparation

The consolidated financial statements have been prepared under the historical cost basis except for derivative assets which have been measured at fair value. 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

The consolidated financial statements include the financial statements of Bloomberg and its subsidiaries (collectively referred to as the “Group”).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee, if and only if, the Parent Company has:

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

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. 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.

On February 6, 2012, Bloomberg 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 Bloomberg have been prepared as a continuation of the consolidated financial statements of Sureste. Sureste has accounted for the accounting acquisition of Bloomberg on January 26, 2012 which was the date when PMHI acquired Bloomberg (see Note 1b).

Reverse acquisition applies only to the consolidated financial statements. The parent company financial statements as of and for the years ended December 31, 2014, 2013 and 2012 will continue to represent Bloomberg as a stand-alone entity.



As of December 31, 2014 and 2013, subsidiaries of Bloomberry include:

|                           | <b>Effective Percentage of Ownership</b> |             |
|---------------------------|------------------------------------------|-------------|
|                           | <b>2014</b>                              | <b>2013</b> |
| Sureste                   | <b>100</b>                               | 100         |
| BRHI                      | <b>100</b>                               | 100         |
| Bloom Capital B.V.        | <b>100</b>                               | 60          |
| Solaire Korea Co., Ltd.   | <b>100</b>                               | —           |
| Solaire de Argentina S.A. | <b>94</b>                                | —           |

*Non-Controlling Interests.* Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Parent Company and are presented in the profit or loss and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company.

#### 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 new and revised standards, interpretations and amendments to existing PFRS effective January 1, 2014.

- PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements* (Amendments). These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments). These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.
- PAS 39, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* (Amendments). These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.



- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments). These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments has no material impact on the disclosure in the Group's consolidated financial statements.
- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21). IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.
- Annual Improvements to PFRSs (2010-2012 cycle). In the 2010 – 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group.
- Annual Improvements to PFRSs (2011-2013 cycle). In the 2011 – 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards—First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first time PFRS adopter.

#### Standards Issued But Not Yet Effective

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

#### *Effective in 2015*

- PFRS 9, *Financial Instruments – Classification and Measurement* (2010 version). PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss.



Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA). The amendment has no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)*. The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendment has no impact on the Group's financial position or performance.
- Annual Improvements to PFRSs (2010-2012 cycle). The Annual Improvements to PFRSs (2010–2012 cycle) are effective for annual periods beginning on or after January 1, 2015. They include:

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

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

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

The Group will assess the impact of this amendment.

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

The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition*



*and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

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

The amendments are applied retrospectively and clarify that:

- a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities

The amendment has no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment has no impact on the Group's financial position or performance.

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

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Annual Improvements to PFRSs (2011-2013 cycle). The Annual Improvements to PFRSs (2011–2013 cycle) are effective for annual periods beginning on or after January 1, 2015. They include:

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

The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The amendment has no impact on the Group's financial position or performance.



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

The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39. The amendment has no significant impact on the Group's financial position or performance.

– PAS 40, *Investment Property*

The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment has no significant impact on the Group's financial position or performance.

*Effective in 2016*

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments). The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments). The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.
- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.



- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.
- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments). The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.
- PFRS 14, *Regulatory Deferral Accounts*. PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.
- Annual Improvements to PFRSs (2012-2014 cycle). The Annual Improvements to PFRSs (2012–2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*

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



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

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

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

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

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

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

– PAS 34, *Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’*

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

*Effective in 2018*

- PFRS 9, *Financial Instruments – Hedge Accounting* and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version). PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of



the final version of PFRS 9, however, is still for approval by BOA. The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

- PFRS 9, *Financial Instruments* (2014 or final version). In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.
- IFRS 15 Revenue from Contracts with Customers. IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

#### *Deferred Effectivity*

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *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 International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The Group expects that this standard will have no impact on the Group's financial position and 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 December 31, 2014 and 2013. The Group has no financial liability at FVPL as of December 31, 2014 and 2013 (see Note 21).

#### 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 (excluding advances to officers and employees), restricted cash and security deposit are classified as loans and receivables (see Note 21).

#### 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, 2014 and 2013.

#### 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 financial assets as of December 31, 2014 and 2013.

#### 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 as of December 31, 2014 and 2013 (see Note 21).

#### 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 construction 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 construction of the Project.

#### Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the first-in, first-out and moving average methods. Net realizable value is based on estimated selling prices less estimated costs to be incurred on completion and disposal. Net realizable value of operating and other supplies is the current replacement cost.



Prepayments

Prepayments are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months or within the normal operating cycle.

Advances to Suppliers

Advances to suppliers primarily represent advance payments made to a service provider for the Group's aircraft operation and management.

Creditable Withholding Taxes (CWT)

CWT represents the amount of tax withheld by counterparties from the Group. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is presented under the "Prepayments and other current assets" account in the consolidated statement of financial position. CWT is stated at its estimated NRV.

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 property and equipment 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.

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 whichever is shorter:

|                                    |                                             |
|------------------------------------|---------------------------------------------|
| Building and improvements          | 20 years                                    |
| Machineries                        | 10 years                                    |
| Land improvements                  | 10 years                                    |
| Gaming equipment                   | 5 years                                     |
| Office furniture and fixtures      | 5 years                                     |
| Transportation equipment           | 5 years                                     |
| Leasehold improvements             | 3 years or lease term, whichever is shorter |
| Office and communication equipment | 5 years                                     |

Property and equipment includes costs incurred in the construction of the hotel and casino entertainment complex classified under “Construction in Progress”. These include costs of construction, equipment and other direct costs such as borrowing cost. Upon completion, these costs will be amortized over the life of BRHI’s license with PAGCOR or life of the asset, whichever is shorter. During the period of construction, construction in progress is tested for impairment.

#### Operating Equipment

Operating equipment (shown as part of “Other noncurrent assets” account) 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 and are amortized over two to three years.

#### 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 2012, in connection with the issuance of capital stock such as taxes and legal fees. The account also includes the effect of the reverse acquisition.

Treasury shares are the Parent Company's own equity instruments which are reacquired and are recognized at cost and presented as reduction in equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, reissuance or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration upon reissuance or cancellation of shares is recognized as additional paid-in capital.

Retained earnings (deficit) represents the Group's cumulative net earnings/(losses), net of dividends declared.

#### Share-based Payment Plan

Certain qualified officers and employees of the Parent Company and subsidiaries receive remuneration for their services in the form of equity shares of the Parent Company ("equity-settled transactions").

The cost of equity-settled transactions with officers and employees is measured by reference to the fair value of the stock at the date on which these are granted.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

#### 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:

*Gaming revenue*

Gaming revenue is measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in customers' possession. Revenues are recognized net of certain sales incentives. Accordingly, the Group's gaming revenues are reduced by discounts, rebates paid through the gaming promoters, progressive jackpot liabilities and points earned in customer loyalty programs totaling to ₱7,537.7 million and ₱3,461.6 million for 2014 and 2013, respectively.

*Hotel, food and beverage, retail and other operating revenues*

Hotel, food and beverage, retail and other operating revenues are recognized when services are performed or the retail goods are sold. Deposits received from customers in advance on rooms or other services are recorded as liabilities until services are provided to the customers.

The retail value of accommodation, food and beverage, and other services furnished to guests without charge is excluded from total operating revenues in the accompanying consolidated statement of comprehensive income. The amounts of such promotional allowances excluded from total operating revenues for the year ended December 31, 2014 and 2013 are as follows:

|                          | 2014                  | 2013         |
|--------------------------|-----------------------|--------------|
| Hotel, food and beverage | <b>₱1,110,355,441</b> | ₱606,081,931 |
| Retail and others        | <b>113,434,038</b>    | 58,690,980   |
|                          | <b>₱1,223,789,479</b> | ₱664,772,911 |

Retail and other revenue includes sale of various merchandise, communication and transportation services to Solaire guests and players.

*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.

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 "Operating costs and expenses" account in the consolidated statement of comprehensive income.



#### Retirement expense

The Group has an unfunded, non-contributory defined benefit plan covering all of its regular employees. Retirement costs are determined based on the provisions of Republic Act No. 7641, "Retirement Pay Law." The retirement benefit is computed as 50% of basic monthly salary plus one-twelfth of the 13th month pay for every year of service and the cash equivalent of not more than five (5) days service incentive leaves.

#### 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 arrangement is, 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 capitalized in the consolidated statement of



financial position (in case of leases directly related to construction) 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/payable to the taxation authority is included as part of the “Prepayments and other current assets” and “Payables and other current liabilities” accounts in the consolidated statement of financial position.

#### *Gaming Taxes*

Being a PAGCOR licensee, BRHI is required to pay license fees on its gross gaming revenues on a monthly basis starting from the date the casino commences operations. These license fees are reported as part of “Taxes and licenses” account under “Operating costs and expenses” in the consolidated statement of comprehensive income.

#### 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 shares.

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

Diluted earnings (loss) per share is computed in the same manner, adjusted for the effect of the shares issuable to qualified officers and employees under the Parent Company’s stock incentive plan which are assumed to be exercised at the date of grant. Where the effect of the vesting of stock under the stock incentive plan is anti-dilutive, basic and diluted earnings 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 operates in one geographical area where it derives its revenue. Financial information on segment reporting is presented in Note 24.

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### **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.

*Contingencies.* On April 13, 2013, the BIR issued RMC No. 33-2013, which may affect the tax exemption of BRHI. On June 4, 2014, BRHI filed a petition with the Supreme Court to annul the provision of RMC No. 33-2013, which subjects PAGCOR licensees to corporate income tax. Also, the Group terminated the agreement with Global Gaming Philippines LLC (GGAM) because of material breach by the latter (see Note 19). The Group's estimate of the probable cost for the implication of these matters has been developed in consultation with its legal counsels and is based upon an analysis of potential results. Management and its legal counsels do not believe these will have a material adverse effect on its financial position or performance. It is possible, however, that



future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to this matter.

*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.

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.

Management evaluates provision for doubtful accounts based on a specific review of customer accounts as well as experience with collection trends in the casino industry and current economic and business conditions. As customer payment experience evolves, management will continue to refine the estimated provision for doubtful accounts. Accordingly, the associated doubtful accounts expense charge may fluctuate. Because individual customer account balances can be significant, the provision and the expense can change significantly between periods, as information about a certain customer becomes known or as changes in a region's economy or legal systems occur.

Provision for doubtful accounts for the years ended December 31, 2014 and 2013 amounted to ₱679.7 million and ₱532.7 million, respectively. The carrying amount of receivables amounted to ₱4,087.7 million and ₱2,514.8 million as of December 31, 2014 and 2013, respectively (see Note 5).

*Net Realizable Value of Inventories.* The Group writes down the cost of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The lower of cost and net realizable value of inventories is reviewed on a monthly basis to reflect the accurate valuation in the financial records. Inventories and supplies identified to be obsolete and unusable are also written off and charged as expense for the period.



There were no provision for inventory obsolescence for the years ended December 31, 2014 and 2013. Inventories at cost amounted to ₱183.0 million and ₱190.3 million as of December 31, 2014 and 2013, respectively (see Note 6).

*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 the previously estimated useful lives.

The aggregate net book value of the Group's property and equipment (excluding construction in progress) amounted to ₱38,596.2 million and ₱23,243.6 million as of December 31, 2014 and 2013, respectively (see Note 10).

*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.

Amortization for the years ended December 31, 2014 and 2013 amounted to ₱187.3 million and ₱158.0 million, respectively. The carrying value of the Group's operating equipment amounted to ₱337.3 million and ₱373.6 million as of December 31, 2014 and 2013, respectively (see Note 11).

*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, 2014, 2013 and 2012.

As of December 31, 2014 and 2013, the carrying values of nonfinancial assets subject to impairment review are as follows:

|                         | 2014                   | 2013            |
|-------------------------|------------------------|-----------------|
| Property and equipment  | <b>₱40,470,608,091</b> | ₱27,351,328,806 |
| Advances to contractors | <b>276,797,821</b>     | 1,122,604,556   |
| Operating equipment*    | <b>337,249,747</b>     | 373,640,142     |
|                         | <b>₱41,084,655,659</b> | ₱28,847,573,504 |

\*Presented as part of "Other noncurrent assets" account.



*Recognition of Gaming Promoters' Expense.* The Group pays the gaming promoters, who introduce VIP players to Solaire, a percentage of the gross gaming win generated by each gaming promoter. Approximately 80% of the amount paid to gaming promoters are netted against casino revenues, because such approximates the amount of rebates returned to the VIP players through the gaming promoters, which will be used by the players to purchase additional chips and will eventually form part of the casino revenue, and approximately 20% are included in operating expenses, which approximate the amount ultimately retained by the gaming promoters for their compensation.

Gaming promoters' expense which was netted against revenue and the amount presented as part of "Advertising and promotions" account under operating costs and expenses amounted to ₱4,488.9 million and ₱1,124.0 million, respectively, for the year ended December 31, 2014 and ₱2,182.8 million and ₱545.7 million, respectively, for the year ended December 31, 2013 (see Notes 17 and 19).

*Determining Retirement Benefits.* The determination of the Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by the Group's actuaries in calculating such amounts. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement liabilities.

Retirement benefits obligation amounted to ₱131.5 million and ₱47.4 million as of December 31, 2014 and 2013, respectively (see Note 15).

*Recognition of Deferred Tax Assets and Liabilities.* The Group reviews the carrying amounts at the end of each reporting period and reduced the deferred tax assets 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.

Despite the recent ruling Revenue Memorandum Circular (RMC) No. 33-2013 issued by the Bureau of Internal Revenue (BIR), clarifying that PAGCOR and its contractees and licensees are subject to 30% RCIT on their gaming and non-gaming revenues, management still 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 (2) (b) of Presidential Decree No. 1869 (see Notes 19 and 20).

The Group recognized deferred tax assets amounting to ₱64.3 million and ₱88.4 million as of December 31, 2014 and 2013, respectively (see Note 20). The Group's temporary differences, for which no deferred tax assets/liabilities have been recognized amounted to ₱6,220.7 million and ₱4,032.0 million as of December 31, 2014 and 2013, respectively, resulting from (a) Sureste's position that it will not have any taxable profits in the future in which it could utilize its deferred tax assets and (b) BRHI's position that it is exempt from income tax (see Note 20).

*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.

The fair values of financial assets and liabilities are disclosed in Note 21 to the consolidated financial statements.

#### 4. Cash and Cash Equivalents

This account consists of:

|                                        | 2014                   | 2013           |
|----------------------------------------|------------------------|----------------|
| Cash on hand                           | <b>₱2,244,540,382</b>  | ₱1,636,264,088 |
| Cash in banks                          | <b>10,532,314,775</b>  | 4,045,614,592  |
| Temporary cash investments             | <b>1,157,048,545</b>   | —              |
| Debt collateral accounts (see Note 13) | <b>813,900,479</b>     | 410,360,759    |
|                                        | <b>₱14,747,804,181</b> | ₱6,092,239,439 |

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 13).

Interest income earned from cash and cash equivalents amounted to ₱65.1 million, ₱33.0 million and ₱161.7 million for the years ended December 31, 2014, 2013 and 2012, respectively.

#### 5. Receivables

This account consists of:

|                                                  | 2014                  | 2013           |
|--------------------------------------------------|-----------------------|----------------|
| Casino (see Note 19)                             | <b>₱4,757,052,471</b> | ₱2,969,463,340 |
| Hotel                                            | <b>63,605,452</b>     | 49,191,534     |
| Advances to officers and employees (see Note 14) | <b>39,638,998</b>     | 26,740,035     |
| Others                                           | <b>16,503,726</b>     | 2,146,251      |
|                                                  | <b>4,876,800,647</b>  | 3,047,541,160  |
| Less allowance for doubtful accounts             | <b>789,077,029</b>    | 532,705,442    |
|                                                  | <b>₱4,087,723,618</b> | ₱2,514,835,718 |

Casino receivables mainly include casino markers issued to junket operators and VIP premium casino players. Casino markers pertain to credits granted to registered casino players. These markers are noninterest-bearing and are normally collected within 90 days.

Hotel receivables pertain to various food, beverage, and hotel service fees receivable from hotel occupants which are collected upon check-out. This also includes credit card transactions which are normally collected within one month.

Advances to officers and employees are normally settled within one month through salary deduction or liquidation (see Note 14).



Accrued interest, presented as part of “Others”, pertains to interest from temporary cash investments and restricted cash account which are normally received within one year.

Allowance for doubtful accounts pertain to casino markers that the Group assessed as doubtful on an individual and collective basis.

The movements in the allowance for doubtful accounts are summarized below:

|                              | 2014                 | 2013                |
|------------------------------|----------------------|---------------------|
| Balance at beginning of year | <b>₱532,705,442</b>  | <b>₱—</b>           |
| Provision (see Note 17)      | <b>679,659,275</b>   | 532,705,442         |
| Write-off                    | <b>(423,287,688)</b> | —                   |
| Balance at end of year       | <b>₱789,077,029</b>  | <b>₱532,705,442</b> |

## 6. Inventories

This account consists of:

|                    | 2014                | 2013                |
|--------------------|---------------------|---------------------|
| At cost:           |                     |                     |
| Food and beverage  | <b>₱102,534,824</b> | ₱115,675,851        |
| Operating supplies | <b>68,973,150</b>   | 63,870,991          |
| Retail merchandise | <b>11,451,070</b>   | 10,788,988          |
|                    | <b>₱182,959,044</b> | <b>₱190,335,830</b> |

Inventories charged to cost of sales amounted to ₱624.1 million and ₱529.7 million for the years ended December 31, 2014 and 2013, respectively (see Note 17).

## 7. Prepayments and Other Current Assets

This account consists of:

|                                                   | 2014                | 2013                |
|---------------------------------------------------|---------------------|---------------------|
| Prepaid rent (see Note 18)                        | <b>₱331,181,464</b> | ₱14,378,472         |
| Advances to suppliers                             | <b>186,607,041</b>  | 27,768,682          |
| Prepaid insurance                                 | <b>57,167,992</b>   | 80,154,462          |
| Derivative asset                                  | <b>24,298,677</b>   | 49,119,127          |
| Creditable withholding tax                        | <b>20,429,661</b>   | 1,935,643           |
| Current portion of security deposit (see Note 18) | <b>16,376,938</b>   | 30,618,003          |
| Others (see Note 19)                              | <b>105,803,097</b>  | 41,107,680          |
|                                                   | <b>₱741,864,870</b> | <b>₱245,082,069</b> |

The movements in the derivative asset are summarized below:

|                                   | 2014                | 2013               |
|-----------------------------------|---------------------|--------------------|
| Balance at beginning of year      | <b>₱49,119,127</b>  | ₱66,632,635        |
| Addition (see Note 13)            | —                   | 37,948,630         |
| Mark-to-market loss (see Note 13) | <b>(24,820,450)</b> | (55,462,138)       |
| Balance at end of year            | <b>₱24,298,677</b>  | <b>₱49,119,127</b> |



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**8. Restricted Cash**

Restricted cash includes the escrow account required in the Provisional License issued by PAGCOR and restricted funds allocated for the construction 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 as of December 31, 2013 pertains to the escrow account required by PAGCOR. As of December 31, 2014, said escrow account amounting to ₱2,272.9 million is presented as part of current portion of restricted cash.

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 construction 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.

Interest income on the restricted cash amounted to ₱19.7 million, ₱20.6 million and ₱33.9 million for the years ended December 31, 2014, 2013 and 2012, respectively.

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**9. Advances to Contractors**

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 construction of hotel and gaming facility of Solaire. This is shown separately in the Group's statements of financial position. As of December 31, 2014 and 2013, advances to contractors primarily pertain to advance payments for construction costs related to the remaining uncompleted area of the Sky Tower.



## 10. Property and Equipment

This account consists of:

|                                                          | 2014                      |                       |                       |                    |                               |                          |                        |                                    |                          |                        |
|----------------------------------------------------------|---------------------------|-----------------------|-----------------------|--------------------|-------------------------------|--------------------------|------------------------|------------------------------------|--------------------------|------------------------|
|                                                          | Building and Improvements | Machineries           | Gaming Equipment      | Land Improvements  | Office Furniture and Fixtures | Transportation Equipment | Leasehold Improvements | Office and Communication Equipment | Construction in Progress | Total                  |
| <b>Cost</b>                                              |                           |                       |                       |                    |                               |                          |                        |                                    |                          |                        |
| Balances at beginning of year                            | ₱15,534,593,561           | ₱3,074,096,499        | ₱1,586,381,084        | ₱3,441,455         | ₱1,867,303,627                | ₱245,799,340             | ₱14,882,830            | ₱2,797,731,708                     | ₱4,107,769,095           | ₱29,231,999,199        |
| Additions*                                               | —                         | 19,220,421            | 93,816,671            | —                  | 83,432,563                    | 416,175,635              | 4,440,023              | 385,062,360                        | 14,747,809,300           | 15,749,956,973         |
| Reclassification from construction in progress           | 8,902,339,447             | 4,669,013,167         | 169,515,599           | 20,419,292         | 1,462,365,963                 | —                        | —                      | 1,757,503,291                      | (16,981,156,759)         | —                      |
| Retirement                                               | —                         | —                     | (176,501)             | —                  | (16,623)                      | —                        | (10,517,876)           | (434,257)                          | —                        | (11,145,257)           |
| Balances at end of year                                  | 24,436,933,008            | 7,762,330,087         | 1,849,536,853         | 23,860,747         | 3,413,085,530                 | 661,974,975              | 8,804,977              | 4,939,863,102                      | 1,874,421,636            | 44,970,810,915         |
| <b>Accumulated Depreciation and Amortization</b>         |                           |                       |                       |                    |                               |                          |                        |                                    |                          |                        |
| Balances at beginning of year                            | 612,971,691               | 242,935,858           | 219,502,436           | 272,448            | 281,430,228                   | 38,915,558               | 13,625,481             | 471,016,693                        | —                        | 1,880,670,393          |
| Depreciation and amortization (see Note 17)              | 719,148,494               | 347,948,990           | 328,219,713           | 514,306            | 418,783,898                   | 105,407,473              | 3,095,818              | 707,558,996                        | —                        | 2,630,677,688          |
| Retirement                                               | —                         | —                     | (176,501)             | —                  | (16,623)                      | —                        | (10,517,876)           | (434,257)                          | —                        | (11,145,257)           |
| Balances at end of year                                  | 1,332,120,185             | 590,884,848           | 547,545,648           | 786,754            | 700,197,503                   | 144,323,031              | 6,203,423              | 1,178,141,432                      | —                        | 4,500,202,824          |
| <b>Balance at December 31, 2014</b>                      | <b>₱23,104,812,823</b>    | <b>₱7,171,445,239</b> | <b>₱1,301,991,205</b> | <b>₱23,073,993</b> | <b>₱2,712,888,027</b>         | <b>₱517,651,944</b>      | <b>₱2,601,554</b>      | <b>₱3,761,721,670</b>              | <b>₱1,874,421,636</b>    | <b>₱40,470,608,091</b> |
|                                                          | 2013                      |                       |                       |                    |                               |                          |                        |                                    |                          |                        |
|                                                          | Building and Improvements | Machineries           | Gaming Equipment      | Land Improvements  | Office Furniture and Fixtures | Transportation Equipment | Leasehold Improvements | Office and Communication Equipment | Construction in Progress | Total                  |
| <b>Cost</b>                                              |                           |                       |                       |                    |                               |                          |                        |                                    |                          |                        |
| Balances at beginning of year                            | ₱—                        | ₱—                    | ₱—                    | ₱—                 | ₱6,327,323                    | ₱35,172,764              | ₱49,480,007            | ₱123,870,931                       | ₱14,715,961,920          | ₱14,930,812,945        |
| Additions*                                               | —                         | 3,016,795,415         | 763,835,008           | 1,886,342          | 1,566,653,358                 | 211,821,219              | 3,035,892              | 2,255,421,261                      | 6,522,798,883            | 14,342,247,378         |
| Reclassification from construction in progress           | 15,534,593,561            | 57,301,084            | 822,546,076           | 1,555,113          | 295,704,672                   | —                        | 179,251                | 419,111,951                        | (17,130,991,708)         | —                      |
| Retirement                                               | —                         | —                     | —                     | —                  | (1,381,726)                   | (1,194,643)              | (37,812,320)           | (672,435)                          | —                        | (41,061,124)           |
| Balances at end of year                                  | 15,534,593,561            | 3,074,096,499         | 1,586,381,084         | 3,441,455          | 1,867,303,627                 | 245,799,340              | 14,882,830             | 2,797,731,708                      | 4,107,769,095            | 29,231,999,199         |
| <b>Accumulated Depreciation and Amortization</b>         |                           |                       |                       |                    |                               |                          |                        |                                    |                          |                        |
| Balances at beginning of year                            | —                         | —                     | —                     | —                  | 1,897,501                     | 6,073,954                | 17,424,133             | 14,289,467                         | —                        | 39,685,055             |
| Depreciation and amortization (see Note 17)              | 612,971,691               | 242,935,858           | 219,502,436           | 272,448            | 280,894,204                   | 33,433,693               | 34,013,668             | 457,223,847                        | —                        | 1,881,247,845          |
| Retirement                                               | —                         | —                     | —                     | —                  | (1,361,477)                   | (592,089)                | (37,812,320)           | (496,621)                          | —                        | (40,262,507)           |
| Balances at end of year                                  | 612,971,691               | 242,935,858           | 219,502,436           | 272,448            | 281,430,228                   | 38,915,558               | 13,625,481             | 471,016,693                        | —                        | 1,880,670,393          |
| <b>Balance at December 31, 2013</b>                      | <b>₱14,921,621,870</b>    | <b>₱2,831,160,641</b> | <b>₱1,366,878,648</b> | <b>₱3,169,007</b>  | <b>₱1,585,873,399</b>         | <b>₱206,883,782</b>      | <b>₱1,257,349</b>      | <b>₱2,326,715,015</b>              | <b>₱4,107,769,095</b>    | <b>₱27,351,328,806</b> |
| <i>*Including application of advances to contractors</i> |                           |                       |                       |                    |                               |                          |                        |                                    |                          |                        |
|                                                          | 2012                      |                       |                       |                    |                               |                          |                        |                                    |                          |                        |
|                                                          | Building and Improvements | Machineries           | Gaming Equipment      | Land Improvements  | Office Furniture and Fixtures | Transportation Equipment | Leasehold Improvements | Office and Communication Equipment | Construction in Progress | Total                  |
| <b>Cost</b>                                              |                           |                       |                       |                    |                               |                          |                        |                                    |                          |                        |
| Balances at beginning of year                            | ₱—                        | ₱—                    | ₱—                    | ₱—                 | ₱1,420,458                    | ₱9,735,214               | ₱8,560,629             | ₱2,609,195                         | ₱4,313,329,843           | ₱4,335,655,339         |
| Additions                                                | —                         | —                     | —                     | —                  | 4,906,865                     | 25,437,550               | 40,919,378             | 121,261,736                        | 10,402,632,077           | 10,595,157,606         |
| Balances at end of year                                  | —                         | —                     | —                     | —                  | 6,327,323                     | 35,172,764               | 49,480,007             | 123,870,931                        | 14,715,961,920           | 14,930,812,945         |
| <b>Accumulated Depreciation and Amortization</b>         |                           |                       |                       |                    |                               |                          |                        |                                    |                          |                        |
| Balances at beginning of year                            | —                         | —                     | —                     | —                  | 619,997                       | 1,076,042                | 3,413,675              | 652,258                            | —                        | 5,761,972              |
| Depreciation and amortization (see Note 17)              | —                         | —                     | —                     | —                  | 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             |
| <b>Balance at December 31, 2012</b>                      | <b>₱—</b>                 | <b>₱—</b>             | <b>₱—</b>             | <b>₱—</b>          | <b>₱4,429,822</b>             | <b>₱29,098,810</b>       | <b>₱32,055,874</b>     | <b>₱109,581,464</b>                | <b>₱14,715,961,920</b>   | <b>₱14,891,127,890</b> |



Construction in progress represents costs incurred in the development of Solaire (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 December 31, 2014 and 2013, construction in progress costs pertain to the costs related to the construction of the Sky Tower. Construction in progress related to Bay Tower has been reclassified to property and equipment upon its completion in March 2013 (see Note 1) and the construction in progress relating to the completed portion of Sky Tower were reclassified in November 2014.

Borrowing costs on specific borrowings capitalized as part of "Property and equipment" amounted to ₱1,420.0 million and ₱544.3 million as of December 31, 2014 and 2013, respectively. For the years ended December 31, 2014, 2013 and 2012, amortization of debt issue costs (net of interest accretion on the option) amounting to ₱54.9 million, ₱20.8 million and ₱10.6 million, respectively, and interest charges amounting to ₱820.8 million, ₱171.2 million and ₱263.7 million, respectively, were capitalized as part of "Property and equipment" (see Note 13). Average interest capitalization rate in 2014 and 2013 is at 4.5% to 6% and 2.4% to 3%, respectively. Lease on the land of PAGCOR capitalized as part of "Property and equipment" amounted to ₱578.4 million and ₱546.5 million as of December 31, 2014 and 2013, respectively (see Note 18).

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 18), 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. BRHI has complied with this US\$400.0 million initial investment requirement.

#### 11. Other Noncurrent Assets

This account consists of:

|                                                      | 2014                | 2013                |
|------------------------------------------------------|---------------------|---------------------|
| Operating equipment                                  | ₱337,249,747        | ₱373,640,142        |
| Prepaid debt issue costs                             | 93,543,557          | 165,137,744         |
| Noncurrent portion of security deposit (see Note 18) | 42,444,083          | 19,361,053          |
| Others                                               | 609,454             | 976,560             |
|                                                      | <b>₱473,846,841</b> | <b>₱559,115,499</b> |

Operating equipment pertains to linen, china, glassware, kitchen wares and uniforms purchased by the Group to be amortized over a period of two to three years. Purchases in 2014 and 2013 amounted to ₱150.9 million and ₱485.1 million respectively. Amortization amounted to ₱187.3 million and ₱158.0 million for the years ended December 31, 2014 and December 31, 2013 respectively (see Note 17).



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.

## 12. Payables and Other Current Liabilities

This account consists of:

|                                                    | 2014                  | 2013           |
|----------------------------------------------------|-----------------------|----------------|
| Payable to contractors and suppliers (see Note 19) | <b>₱2,826,155,989</b> | ₱1,897,626,616 |
| Outstanding chip and other gaming liabilities      | <b>1,837,978,372</b>  | 2,261,985,151  |
| Retention payable (see Note 19)                    | <b>1,311,788,289</b>  | 893,911,281    |
| Income tax payable (see Notes 19 and 20)           | <b>958,175,005</b>    | —              |
| Customers' deposits                                | <b>857,664,546</b>    | 504,392,445    |
| Gaming taxes payable (see Note 19)                 | <b>325,868,622</b>    | 447,757,329    |
| Output VAT and other taxes payable                 | <b>135,005,316</b>    | 95,255,386     |
| Accrued expenses:                                  |                       |                |
| Accrued interest                                   | <b>321,179,378</b>    | 30,694,161     |
| Current portion of accrued rent (see Note 18)      | <b>150,850,261</b>    | 197,247,233    |
| Others                                             | <b>423,461,919</b>    | 236,996,582    |
|                                                    | <b>₱9,148,127,697</b> | ₱6,565,866,184 |

Outstanding chip and other gaming liabilities include outstanding chips, slot tickets and tokens as well as provision for progressive jackpot on slots and for points earned from customer loyalty programs. Outstanding chips as of December 31, 2014 and 2013 amounting to ₱1,148.2 million and ₱1,980.7 million, respectively, pertain to chips purchased by the players, which are not yet converted into cash. Other gaming liabilities mainly include progressive jackpot liability amounting to ₱205.7 million and ₱130.1 million as of December 31, 2014 and 2013, respectively, liability for points earned from customer loyalty programs amounting to ₱331.1 million and ₱120.7 million as of December 31, 2014 and 2013, respectively, and commissions payable amounting to ₱142.8 million and ₱21.3 million as of December 31, 2014 and 2013, respectively.

Customers' deposits primarily pertain to casino players' funds in the form of cash, check or telegraphic transfer deposited directly to the casino's bank accounts or over the cage cashier counter for future purchase of chips or redemption of credit markers.

Gaming taxes payable mainly pertains to license fees payable to PAGCOR, which are normally settled within one month.

Other accrued expenses primarily pertain to accrued salaries and benefits, outside services, advertising and promotions and pre-opening expenses.

Payables and other current liabilities are normally settled within one year.



### 13. Long-term Debt

This account consists of:

|                                         | 2014                   | 2013            |
|-----------------------------------------|------------------------|-----------------|
| Principal:                              |                        |                 |
| Original facility                       | <b>₱13,517,150,000</b> | ₱14,600,000,000 |
| Expansion facility                      | <b>8,063,762,840</b>   | 3,290,817,898   |
| Corporate notes                         | <b>11,425,000,000</b>  | —               |
|                                         | <b>33,005,912,840</b>  | 17,890,817,898  |
| Less unamortized debt discount          | <b>397,661,600</b>     | 258,228,075     |
|                                         | <b>32,608,251,240</b>  | 17,632,589,823  |
| Less current portion of long-term debt* | <b>1,994,033,232</b>   | 1,019,430,237   |
|                                         | <b>₱30,614,218,008</b> | ₱16,613,159,586 |

\*Net of unamortized debt discount of the ₱40.0 million and ₱63.4 million as of December 31, 2014 and 2013, respectively.

The movements in unamortized debt discount follow:

|                                                         | 2014                | 2013         |
|---------------------------------------------------------|---------------------|--------------|
| Unamortized debt discount at beginning of year          | <b>₱258,228,075</b> | ₱89,893,418  |
| Additions (net of prepayment option value)              | <b>208,253,309</b>  | 206,641,071  |
| Amortization (net of prepayment option value accretion) | <b>(68,819,784)</b> | (38,306,414) |
| Unamortized debt discount at end of year                | <b>₱397,661,600</b> | ₱258,228,075 |

Future repayment of the principal follows:

|                                             | 2014                   | 2013            |
|---------------------------------------------|------------------------|-----------------|
| Within one year                             | <b>₱2,034,050,000</b>  | ₱1,082,850,000  |
| After one year but not more than five years | <b>15,803,704,209</b>  | 15,080,496,209  |
| Beyond five years                           | <b>15,168,158,631</b>  | 1,727,471,689   |
|                                             | <b>₱33,005,912,840</b> | ₱17,890,817,898 |

#### a. Original Facility

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 (“Original Facility”) 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 8). 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.

The Original Facility is payable over seven years in 16 consecutive quarterly installments on each repayment date commencing on the 39<sup>th</sup> 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, 2014 and 2013, this facility has been fully drawn. Loan principal amounting to ₱1,082.9 million was paid in 2014. Outstanding long-term debt, net of unamortized debt discount, as of December 31, 2014 and 2013 amounted to ₱13,425.7 million and ₱14,476.2 million, respectively.

The Original Facility provides that Sureste/BRHI is permitted to make optional prepayments anytime until maturity. Upon prepayment, 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, the value of the prepayment option is not material. Upon additional drawdowns in 2012 and 2013, the option was bifurcated at each drawdown date of the loan, resulting to a value of the bifurcated prepayment option of ₱37.9 million and ₱83.5 million which were offset against additions to capitalized debt issue costs in 2013 and 2012, respectively. Accretion of interest on the option amounting to ₱32.2 million, ₱20.7 million and ₱10.8 million in 2014, 2013 and 2012, respectively, were offset against amortization of debt issue costs. Fair value losses from the prepayment option amounting to ₱24.8 million, ₱55.5 million and ₱16.8 million in 2014, 2013 and 2012, respectively, are recognized as "Mark-to-market loss" and is separately presented in the consolidated statements of comprehensive income.

b. Expansion Facility

In March 2013, the Group executed a second amendment to the loan agreement to provide for an additional ₱14.3 billion loan facility ("Expansion Facility") with BDO Unibank Inc., China Banking Corp., and Philippine National Bank as expansion lenders.

The Expansion Facility of ₱14.3 billion 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 2% over the 30-day BSP reverse purchase agreement rate, unless a substitute benchmark rate has been requested 20 banking days prior to an interest payment date.

Similar with the original facility, 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, 2014 and 2013, the amount drawn under these facilities amounted to ₱8.1 billion and ₱3.3 billion, respectively. Outstanding long-term debt, net of unamortized



debt discount, as of December 31, 2014 and 2013, amounted to ₱7,834.6 million and ₱3,156.4 million, respectively.

The Expansion Facility provides that Sureste/BRHI is permitted to make optional prepayments anytime until maturity, but without penalty.

The embedded prepayment option on the Expansion Facility was assessed as clearly and closely related to the loan, thus, not for bifurcation.

c. Corporate Notes

On February 10, 2014, the Group issued ₱11.425 billion unsecured corporate notes (“Corporate Notes”) to fund Phase 1A of Solaire. Sureste and BRHI signed a corporate notes facility agreement with BDO Unibank Inc., BDO Leasing and Finance Inc., BDO Private Bank Inc., China Banking Corp., Robinsons Bank Corp. and United Coconut Planters Bank. BRHI served as an issuer, Sureste as surety and BDO Capital & Investment Corp. as the lead arranger and sole bookrunner for the facility.

The Corporate Notes of ₱11.425 billion is payable over seven years in 8 consecutive semi-annual installments on each repayment date commencing on the 36th month from the initial drawdown date while the interest on the unpaid principal amount shall be paid in semi-annual payments from the initial drawdown date. The Corporate Notes bears a fixed interest rate of 6.75% per annum.

The outstanding balance of the Corporate Notes, net of unamortized debt discount, as of December 31, 2014 amounted to ₱11,348.0 million.

The Corporate Notes provide that BRHI is permitted to make optional prepayments anytime until maturity. Upon prepayment, BRHI shall pay the principal, accrued interest and penalty based on the amount prepaid in the following percentages: (i) 0.5% from the first to third anniversary; (ii) 0.25% after the third anniversary to the fifth anniversary; and (iii) no prepayment penalty after the fifth anniversary.

The embedded prepayment option on the Corporate Notes was assessed as clearly and closely related to the loan, thus, not for bifurcation.

All legal and professional fees, including commitment fee, incurred in relation to the loans, totaling ₱642.0 million and ₱433.8 million as of December 31, 2014 and 2013, respectively, were capitalized. Debt issue costs were amortized using EIR method. For the years ended December 31, 2014, 2013 and 2012, amortization of debt issue costs (net of interest accretion on the option) amounting to ₱54.9 million, ₱20.8 million and ₱10.6 million, respectively, and interest charges amounting to ₱820.8 million, ₱171.2 million and ₱263.7 million, respectively, were capitalized as part of “Property and equipment” (see Note 10).

In 2014 and 2013, borrowing costs recognized as expense in the consolidated statement of comprehensive income amounted to ₱761.2 million and ₱371.0 million, respectively. This comprises of interest expense amounting to ₱747.3 million and ₱353.5 million and amortization of debt discount (net of interest accretion on the option) amounting to ₱13.9 million and ₱17.5 million in 2014 and 2013, respectively.



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 original and expansion facilities 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.

The Corporate Notes require BRHI to comply with the debt service coverage agreement incurrence ratio of at least 1.2 times and debt-to-equity incurrence ratio of maximum of 2.33 times, on each testing date.

As of December 31, 2014 and 2013, Sureste and BRHI are in compliance with these debt covenants.

#### Collateral

Under the original and expansion facilities, 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 8), 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, 2014 and 2013, the Group's debt collateral accounts balances are as follows (see Note 4):

|                              | 2014                | 2013         |
|------------------------------|---------------------|--------------|
| Debt service reserve account | <b>₱764,723,025</b> | ₱409,800,894 |
| Debt service payment account | <b>49,177,454</b>   | 559,865      |
|                              | <b>₱813,900,479</b> | ₱410,360,759 |

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 18), 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. As of December 31, 2014 and 2013, the Group's property and equipment have carrying values of ₱40.5 billion and ₱27.4 billion, respectively.

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.

## 14. 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.



The Group's related party balances are as follows:

| Related Party                          | Nature/Terms of Transaction                                           | Transaction Amounts |             |             | Outstanding Receivable (Payable) |              |
|----------------------------------------|-----------------------------------------------------------------------|---------------------|-------------|-------------|----------------------------------|--------------|
|                                        |                                                                       | 2014                | 2013        | 2012        | 2014                             | 2013         |
| Global Gaming Philippines, LLC (GGAM)* | Management fees; payable within 30 days (see Note 19)                 | ₱—                  | ₱40,359,765 | ₱89,359,333 | (₱4,742,260)                     | (₱4,742,260) |
| Eaglesight Investments Limited**       | Aircraft lease and maintenance reimbursements; payable within 1 month | 128,315,476         | 191,144,534 | —           | (20,165,091)                     | (28,033,473) |
| Bloomberry Cultural Foundation***      | 2% of non-junket casino revenue; unsecured (see Note 19)              | 332,119,675         | 167,443,498 | —           | (27,554,909)                     | (20,075,472) |
|                                        | Noninterest-bearing and unsecured advances (see Note 19)              | —                   | 26,090,338  | —           | 25,940,338                       | 26,090,338   |
| Officers and employees                 | Noninterest-bearing and unsecured cash advances (see Note 5)          | 348,342,904         | 87,509,437  | 623,205     | 39,638,998                       | 26,740,035   |
| Key management personnel               | 1. Short-term employee benefits                                       | 36,393,771          | 46,732,590  | 46,486,757  | —                                | —            |
|                                        | 2. Retirement benefits                                                | 1,464,996           | 923,590     | 1,037,939   | (3,426,525)                      | (1,961,528)  |

\*GGAM became a related party on December 28, 2012 (see Note 16)

\*\*Under common control

\*\*\*Corporate social responsibility sector of the Group

## 15. 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 statements of comprehensive income and the retirement liability recognized in the consolidated statements of financial position as of and for the years ended December 31, 2014, 2013 and 2012:

|                                                             | 2014         | 2013         | 2012        |
|-------------------------------------------------------------|--------------|--------------|-------------|
| Retirement expense:                                         |              |              |             |
| Current service cost                                        | ₱45,290,682  | ₱34,849,021  | ₱11,765,800 |
| Interest costs                                              | 2,735,016    | 711,138      | —           |
| Balance at end of year                                      | ₱48,025,698  | ₱35,560,159  | ₱11,765,800 |
| Retirement liability:                                       |              |              |             |
| Balance at beginning of year                                | ₱47,384,500  | ₱11,765,800  | ₱—          |
| Retirement expense                                          | 48,025,698   | 35,560,159   | 11,765,800  |
| Actuarial loss                                              | 36,068,402   | 58,541       | —           |
| Balance at end of year                                      | ₱131,478,600 | ₱47,384,500  | ₱11,765,800 |
| Changes in the present value of defined benefit obligation: |              |              |             |
| Balance at beginning of year                                | ₱47,384,500  | ₱11,765,800  | ₱—          |
| Current service cost                                        | 45,290,682   | 34,849,021   | 11,765,800  |
| Interest costs                                              | 2,735,016    | 711,138      | —           |
| Actuarial loss (gain) due to:                               |              |              |             |
| Experience adjustments                                      | 8,260,502    | 19,481,741   | —           |
| Changes in financial assumptions                            | 27,807,900   | (19,423,200) | —           |
| Balance at end of year                                      | ₱131,478,600 | ₱47,384,500  | ₱11,765,800 |



The principal assumptions used in determining the Group's retirement liability as of December 31, 2014 and 2013 are shown below:

|                             | 2014                                                                 |                                                                      | 2013                                                          |                                                               |
|-----------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
|                             | <b>Sureste</b>                                                       | <b>BRHI</b>                                                          | <b>Sureste</b>                                                | <b>BRHI</b>                                                   |
| Discount rate               | <b>4.61%</b>                                                         | <b>4.61%</b>                                                         | 5.98%                                                         | 5.73%                                                         |
| Future salary rate increase | <b>3.00%</b>                                                         | <b>3.00%</b>                                                         | 3.00%                                                         | 3.00%                                                         |
| Mortality rate              | <b>1994 GAM</b>                                                      |                                                                      |                                                               |                                                               |
| Turnover rate               | <b>A scale ranging from 10% at age 20 decreasing to 0% at age 46</b> | <b>A scale ranging from 10% at age 20 decreasing to 0% at age 50</b> | A scale ranging from 10% at age 20 decreasing to 0% at age 46 | A scale ranging from 10% at age 20 decreasing to 0% at age 50 |

The Group does not maintain a fund for its retirement benefit obligation.

Shown below is the maturity profile of the undiscounted benefit payments:

| Plan Year                        | Expected Benefit Payments |
|----------------------------------|---------------------------|
| Less than one year               | <b>P=</b>                 |
| More than one year to five years | 19,220,754                |
| More than five years to 10 years | 65,242,478                |
| More than 10 years to 15 years   | 337,490,319               |
| More than 15 years to 20 years   | 719,468,639               |
| More than 20 years               | 4,812,889,142             |

The average duration of the defined benefit obligation at the end of the reporting period is 28.09 years.

The retirement benefit obligation is subject to several key assumptions. To help illustrate the impact of each key assumption, a sensitivity analysis is provided below, which has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

a. Sureste

|                      | Effect on Present Value of Obligation |
|----------------------|---------------------------------------|
| Discount rate        |                                       |
| 5.61% Actual + 1.00% | ₱23,844,100                           |
| 4.61% Actual         | 29,359,000                            |
| 3.61% Actual - 1.00% | 36,458,900                            |
| Salary increase rate |                                       |
| 4.00% Actual + 1.00% | ₱36,309,200                           |
| 3.00% Actual         | 29,359,000                            |
| 2.00% Actual - 1.00% | 23,850,900                            |
| Turnover rate        |                                       |
| 8.07% Actual + 2.00% | ₱26,506,000                           |
| 6.07% Actual         | 29,359,000                            |
| 4.07% Actual - 2.00% | 32,797,800                            |



b. BRHI

|                      | Effect on Present<br>Value of Obligation |
|----------------------|------------------------------------------|
| Discount rate        |                                          |
| 5.61% Actual + 1.00% | ₱83,496,000                              |
| 4.61% Actual         | 102,119,600                              |
| 3.61% Actual - 1.00% | 125,922,200                              |
| Salary increase rate |                                          |
| 4.00% Actual + 1.00% | ₱125,405,500                             |
| 3.00% Actual         | 102,119,600                              |
| 2.00% Actual - 1.00% | 83,526,900                               |
| Turnover rate        |                                          |
| 7.62% Actual + 2.00% | ₱92,711,000                              |
| 5.62% Actual         | 102,119,600                              |
| 3.62% Actual - 2.00% | 113,258,300                              |

## 16. Equity

### Capital Stock

Capital stock consists of:

|                              | 2014           |                 | 2013           |                 |
|------------------------------|----------------|-----------------|----------------|-----------------|
|                              | Shares         | Amount          | Shares         | Amount          |
| Capital stock - ₱1 par value |                |                 |                |                 |
| Authorized                   | 15,000,000,000 | ₱15,000,000,000 | 15,000,000,000 | ₱15,000,000,000 |
| Issued                       | 11,032,998,225 | 11,032,998,225  | 10,589,800,556 | 10,589,800,556  |
| Issued and outstanding       | 11,026,851,506 | 10,955,549,566  | 10,589,800,556 | 10,589,800,556  |

The movement in issued capital stock follows:

|                              | 2014           |                 | 2013           |                 |
|------------------------------|----------------|-----------------|----------------|-----------------|
|                              | Shares         | Amount          | Shares         | Amount          |
| Balance at beginning of year | 10,589,800,556 | ₱10,589,800,556 | 10,589,800,556 | ₱10,589,800,556 |
| Subscription and issuance    | 443,197,669    | 443,197,669     | —              | —               |
| Balance at end of year       | 11,032,998,225 | ₱11,032,998,225 | 10,589,800,556 | ₱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 120.0 million shares to ₱15,000.0 million divided into 15,000.0 million 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 million 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 2, 2012, PMHI offered and sold (the "Offer") 1,179,963,700 of its existing Bloomberry 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 Bloomberg 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 ₱8,024.8 million. Transaction costs incurred relative to issuance of shares in 2012, amounting to ₱76.4 million, 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 Bloomberg shares from the market. Consequently, on December 28, 2012, GGAM exercised its option to acquire 921,184,056 shares of Bloomberg from PMHI (see Note 19).

On November 10, 2014, Bloomberg and its parent company, PMHI, completed a Placing and Subscription Transaction under which PMHI first sold in a private placement to various institutional investors 435,000,000 shares of stock in Bloomberg at ₱13.00 per share. The net proceeds of the private placement were used by PMHI to subscribe to the equivalent number of new shares in Bloomberg at the same subscription price of ₱13.00 per share. Additional paid-in capital arising from said transaction amounted to ₱5,128.4 million and transaction costs incurred relative to the issuance of shares, amounting to ₱4.4 million, were charged against the additional paid-in capital.

#### Stock Incentive Plan

The Stockholders of the Parent Company approved on June 25, 2012 a Stock Incentive Plan (SIP) for directors, officers, and employees of the Group, effective for a period of ten years unless extended by the BOD. The Participants to the SIP are: permanent and regular employees of the Group or its affiliates with at least one year tenure; officers and directors of the Group; officers and directors of affiliates of the Group; and other persons who have contributed to the success and profitability of the Group or its affiliates.

The SIP shall be administered by the Stock Incentive Committee (SIC) composed of three directors or officers to be appointed by the BOD. The SIC shall determine the number of shares to be granted to a participant and other terms and conditions of the grant.

Unissued shares from the authorized capital stock or treasury shares, which together with shares already granted under the SIP, are equivalent to seven percent (7%) of the resulting total outstanding shares of the Parent Company shall be allocated for the SIP.

The grant of shares under the SIP does not require an exercise price to be paid by the awardee. The shares awarded shall vest in two years: 50% on the first anniversary date of the award; and the other 50% on the second anniversary date of the award. Vesting grants the participant absolute beneficial title and rights over the shares, including full dividend and voting rights.



Stock awards granted by the SIC to officers and employees of the Group are shown below:

| Grant Date        | Number of Shares<br>Granted | Fair Value per Share<br>at Grant Date |
|-------------------|-----------------------------|---------------------------------------|
| October 1, 2013   | 5,792,700                   | ₱10.02                                |
| July 1, 2014      | 4,318,589                   | 10.84                                 |
| October 27, 2014* | 4,486,000                   | 14.98                                 |

\*50 percent of the total granted shares has a 3-year vesting period.

Fair value per share was based on the market price of stock at the date of grant.

Movements in the stock awards granted (number of shares) in 2014 and 2013 follow:

|                                               | 2014               | 2013      |
|-----------------------------------------------|--------------------|-----------|
| Balance at beginning of year                  | <b>5,792,700</b>   | –         |
| Stock awards granted                          | <b>8,804,589</b>   | 5,792,700 |
| Stock awards vested                           | <b>(2,050,950)</b> | –         |
| Stock awards of resigned/terminated employees | <b>(1,690,800)</b> | –         |
|                                               | <b>10,855,539</b>  | 5,792,700 |

Total compensation expense on the stock awards recognized in 2014 and 2013 as part of “Salaries and benefits” under “Operating costs and expenses” in the consolidated statements of comprehensive income amounted to ₱47.7 million and ₱10.9 million, respectively. In 2014, reduction in share-based payment plan, treasury shares and APIC arising from the issuance of treasury shares for vested stock awards amounted to ₱20.6 million, ₱25.8 million and ₱5.3 million, respectively. The stock incentive obligation recognized as “Share-based payment plan” in the consolidated statements of financial position amounted to ₱38.0 million and ₱10.9 million as of December 31, 2014 and 2013, respectively.

#### Treasury Shares

The movement in treasury shares in 2014 follows:

|                                   | Shares      | Amount       |
|-----------------------------------|-------------|--------------|
| Acquisition during the year       | 8,197,669   | ₱103,290,629 |
| Issuance for share-based payments | (2,050,950) | (25,841,970) |
| Balance at end of year            | 6,146,719   | ₱77,448,659  |

On October 1, 2014, 2,050,950 shares in the Company vested in favor of several participants under the SIP, as previously discussed. An additional 6,146,719 shares will vest to several participants in 2015 (collectively the “SIP Shares”). On December 18, 2014, the board of directors of the Company and PMHI approved the borrowing of shares from PMHI to be transferred to the participants whose SIP shares have vested, and to AB Capital and Investment Corp. Trust & Investment Department with respect to the SIP shares that will vest in 2015, and the subscription by PMHI to new shares to replace the borrowed shares. The transfer by PMHI of shares equivalent to the SIP Shares to said participants was at a sale price of ₱12.60 per share (which was the market price of the shares when the SIP shares were crossed) and the issuance by the Company of shares equivalent to the SIP Shares at a subscription price of ₱12.60 per share to PMHI in replacement of the shares transferred by PMHI to the said participants. Additional paid-in capital arising from this transaction amounted to ₱95.1 million.



The shareholders of the Parent Company as of December 31, 2014 and 2013 are as follows:

| Shareholders                   | Percentage of Ownership |         |
|--------------------------------|-------------------------|---------|
|                                | 2014                    | 2013    |
| PMHI (see Note 1)              | <b>58.08%</b>           | 60.51%  |
| Quasar Holdings, Inc.          | <b>8.35%</b>            | 8.70%   |
| Falcon Investco Holdings, Inc. | <b>2.04%</b>            | 2.12%   |
| Directors and officers         | <b>0.52%</b>            | 0.55%   |
| Public                         | <b>31.01%</b>           | 28.12%  |
| <b>Total</b>                   | <b>100.00%</b>          | 100.00% |

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

| Date of Approval      | Number of Shares |                       | Issue/<br>Offer Price |
|-----------------------|------------------|-----------------------|-----------------------|
|                       | Authorized       | Issued/<br>Subscribed |                       |
| May 3, 1999*          | 120,000,000      | 80,000,000            | ₱1.00                 |
| February 27, 2012**   | 15,000,000,000   | 9,211,840,556         | 1.00                  |
| May 2, 2012***        | 15,000,000,000   | 1,179,963,700         | 7.50                  |
| May 31, 2012***       | 15,000,000,000   | 117,996,300           | 7.50                  |
| November 10, 2014**** | 15,000,000,000   | 435,000,000           | 13.00                 |
| December 18, 2014**** | 15,000,000,000   | 8,197,669             | 12.60                 |

\*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 2, 2012

\*\*\*Transaction date per SEC Form 23-B; Includes Offer Shares and Over-Allotment Option

\*\*\*\*Transaction date per SEC Form 17-C

As of December 31, 2014 and 2013, Bloomberry has total shareholders of 79 and 77, 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). As of December 31, 2014 and 2013, 1,364,381,725 shares and 921,184,056 shares, respectively, are not yet listed in the stock exchange.

## 17. Operating Costs and Expenses

This account consists of:

|                                                        | 2014                   | 2013            | 2012         |
|--------------------------------------------------------|------------------------|-----------------|--------------|
| Taxes and licenses (see Notes 14 and 19)               | <b>₱4,256,246,205</b>  | ₱3,421,499,294  | ₱78,335,223  |
| Salaries and benefits (see Notes 15 and 16)            | <b>2,930,043,622</b>   | 2,349,874,190   | 222,217,447  |
| Depreciation and amortization<br>(see Notes 10 and 11) | <b>2,817,962,191</b>   | 2,039,223,501   | 33,923,083   |
| Advertising and promotions                             | <b>2,325,134,641</b>   | 1,505,604,615   | —            |
| Office expenses                                        | <b>1,098,544,953</b>   | 752,132,918     | 37,162,265   |
| Outside services and charges                           | <b>699,368,912</b>     | 507,222,063     | 70,208,098   |
| Provision for doubtful accounts (see Note 5)           | <b>679,659,275</b>     | 532,705,442     | —            |
| Utilities                                              | <b>629,042,368</b>     | 519,178,983     | 10,708,243   |
| Cost of sales (see Note 6)                             | <b>624,059,717</b>     | 529,674,637     | —            |
| Rent (see Note 18)                                     | <b>220,385,553</b>     | 218,655,835     | —            |
| Repairs and maintenance                                | <b>172,645,700</b>     | 59,454,848      | 2,082,448    |
| Communication and transportation (see Note 14)         | <b>129,315,050</b>     | 92,171,905      | 38,396,448   |
| Pre-opening expenses (see Notes 14, 18 and 19)         | —                      | 283,371,649     | 318,786,484  |
| Others                                                 | <b>274,514,913</b>     | 454,328,922     | 7,537,870    |
|                                                        | <b>₱16,856,923,100</b> | ₱13,265,098,802 | ₱819,357,609 |



Office expenses mainly consist of supplies amounting to ₱465.7 million, ₱496.9 million and ₱20.5 million; team member expenses amounting to ₱420.0 million, ₱71.1 million and ₱9.7 million; and insurance expense amounting to ₱154.8 million, ₱122.2 million and nil in 2014, 2013 and 2012, respectively.

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## 18. 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 18<sup>th</sup> year of the lease period.

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. In 2013, an addendum to the contract of lease covering an additional 3,733 square meters of PAGCOR land, was executed. In December 2014, a second addendum to the contract of lease covering and additional 73,542 square meters of PAGCOR land was also executed.

Rent expense related to this lease, capitalized as part of "Property and equipment" amounted to ₱578.4 million and ₱546.5 million as of December 31, 2014 and 2013, respectively (see Note 10). Rent expense amounting to ₱162.3 million and ₱124.6 million was recognized as part of "Rent expense" account under operating costs and expenses in the 2014 and 2013 consolidated statement of comprehensive income (see Note 17).



Future minimum lease payments under this operating lease with PAGCOR follow:

|                                               | 2014                  | 2013           |
|-----------------------------------------------|-----------------------|----------------|
| Within one year                               | <b>₱531,811,380</b>   | ₱238,662,352   |
| Beyond one year but not later than five years | <b>2,004,379,836</b>  | 897,705,076    |
| Beyond five years                             | <b>5,753,853,803</b>  | 2,776,500,650  |
|                                               | <b>₱8,290,045,019</b> | ₱3,912,868,078 |

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.

Future minimum lease payments under the above other operating leases follow:

|                                               | 2014               | 2013        |
|-----------------------------------------------|--------------------|-------------|
| Within one year                               | <b>₱20,267,397</b> | ₱21,771,698 |
| Beyond one year but not later than five years | —                  | —           |
|                                               | <b>₱20,267,397</b> | ₱21,771,698 |

Rent expense charged to operations, presented as part of “Pre-opening expenses”, amounted to ₱19.9 million in 2013 (see Note 17). Rental charges related to these leases, presented as part of “Rent expense” account under operating costs and expenses in the 2014 and 2013 consolidated statements of comprehensive income amounted to ₱58.1 million and ₱94.0 million, respectively (see Note 17).

Advance rental and security deposits related to the leases discussed above amounted to ₱390.0 million and ₱64.4 million as of December 31, 2014 and 2013, respectively (see Notes 7 and 11).

## 19. Commitments and Contingencies

- 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% of the gross gaming revenues generated by high roller tables; (b) 25% of the gross gaming revenues generated by non-high roller tables; (c) 25% of the gross gaming revenues generated by slot machines and electronic gaming machines; and (d) 15% of the gross gaming revenues generated by junket operation. PAGCOR agreed to the temporary reduction of these license fees



effective April 1, 2014 to 5% (from 15%) and 15% (from 25%) on application by BRHI and other licensees during the pendency of the resolution of the issue on the validity of BIR's imposition of income tax on PAGCOR's licensees under RMC 13-2013. This issue is now pending in the Supreme Court following BRHI's petition against the BIR. The parties agree to revert to the original license fee structure under the Provisional License in the event the BIR action to collect income tax from PAGCOR licensees is permanently restrained, corrected or withdrawn by order of the BIR or the courts or under a new law. The license fees are inclusive of the 5% franchise tax under the PAGCOR Charter.

- 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. (BCF) for this purpose. Amount due to BCF, recognized as part of "Taxes and licenses" account in 2014 and 2013, amounted to ₱332.1 million and ₱167.4 million, respectively. Outstanding amount payable to BCF as of December 31, 2014 and 2013, presented as part of "Gaming taxes payable", amounted to ₱27.6 million and ₱20.1 million, respectively. Furthermore, the Group has made advances to BCF amounting to ₱25.9 million and ₱26.1 million as of December 31, 2014 and 2013, respectively, presented as part of "Others" under "Prepayments and other current assets" account in the consolidated statements of financial position (see Note 7)
- 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, 2014 and 2013, BRHI has complied with the required debt-to-equity ratio.

Total PAGCOR license fee recognized, shown as part of "Taxes and licenses" account, amounted to ₱4,170.7 million and ₱3,371.6 million for the years ended December 31, 2014 and 2013, respectively. Outstanding amount payable to PAGCOR and BCF, presented as part of "Gaming taxes payable", amounted to ₱325.9 million and ₱447.8 million as of December 31, 2014 and 2013 (see Note 12).

- 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, 2013, BRHI has effectively paid ₱437.9 million to Steelman Partners, LLC (see Note 14).

*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. DMCI was also involved in the construction of the Sky Tower with a contract price of ₱2.3 billion in addition to variable fees based on agreed rates



for additional services performed. As of December 31, 2014, 2013 and 2012, the Group has paid ₱14,880.0 million, ₱13,411.7 million and ₱8,830.1 million, respectively, to DMCI.

*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, 2014, 2013 and 2012, the Group has paid ₱470.0 million, ₱364.9 million and ₱272.4 million to DCI, respectively.

*KNA Design*

The Group has engaged KNA Design, a Los Angeles-based interior design firm, to provide interior design for the hotel component of Phase 1A, for a fixed fee of US\$1.3 million. Total cost for the years ended December 31, 2014 and 2013 amounted to ₱3.7 million and ₱65.6 million, respectively.

*TPM*

The Group entered into a project management consultancy contract with TPM, one of Asia's leading construction project management consultancies focused on gaming anchored hospitality development projects, for a fixed fee of US\$2.4 million and staff cost reimbursement of US\$9.3 million. Total cost for the years ended December 31, 2014 and 2013 amounted to ₱262.6 million and ₱254.2 million, respectively.

*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, 2013 and 2012, Sureste has paid HPGI ₱17.9 million and ₱14.5 million, respectively

- c. BRHI entered into junket operator agreements with junket operators who have the primary responsibility of directing gaming patrons to the casino. Based on these agreements, these junket operators are compensated based on a certain percentage of the wins or rolling chips. Gaming promoters expense for the years ended December 31, 2014 and 2013 amounted to ₱5,612.9 million and ₱2,728.5 million, respectively (see Note 3). Receivable from junket operators as of December 31, 2014 and 2013 amounted to ₱3,099.7 and ₱2,701.6 million (see Note 5).
- d. 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. Total fees for the years ended December 31, 2014, 2013 and 2012 amounted to nil, ₱40.4 million and ₱89.4 million, respectively. Outstanding payable to



GGAM amounted to ₱4.7 million, ₱4.7 million and ₱35.7 million as of December 31, 2014, 2013 and 2012, respectively (see Note 14).

The Group terminated the MSA effective September 12, 2013 because of material breach of the MSA by GGAM after prior notice and failure of discussions to settle their dispute. Accordingly, the Group has accrued annual fees due to GGAM up to September 12, 2013 only. GGAM has sent a notice of arbitration in accordance with the arbitration clause of the MSA. GGAM denies having breached the MSA and alleges that it is BRHI and Sureste who breached the MSA. BRHI and Sureste have submitted their response to the notice of arbitration. The 3-member arbitral tribunal has been duly constituted and now hears the dispute in Singapore under the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL) using Philippine law as the governing law.

Under the MSA, GGAM was granted the option, from the date of execution of the MSA, to purchase up to 921.2 million 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. In December 2012, GGAM exercised its option to acquire 921.2 million shares of Bloomberry from PMHI (see Note 16). On February 25, 2014, the Makati Regional Trial Court (MRTC) granted the Group's application for measures of protection in the form of writs of preliminary attachment and preliminary injunction to restrain GGAM from disposing the Bloomberry shares, and so the judgment that the arbitral tribunal may award in favor of the Group can be enforced against the Bloomberry shares. GGAM has filed a petition for review on certiorari with the Court of Appeals against the decision of the MRTC.

On April 14, 2014, GGAM file a Request for Interim Measures of Protection with the arbitral tribunal asking among others, that: (a) the parties be restored to status quo ante as of January 15, 2014; (b) GGAM be permitted to sell all of the shares pending the final award by the arbitral tribunal; and (c) BRHI and SPI and their affiliates be enjoined from taking any actions that would interfere with or prevent any sale of the shares. On December 9, 2014, the tribunal issued its Order in Respect of Claimants' Interim Measures of Protection, declaring among others, that the February 25 Order of MRTC is superseded and that parties are restored to their status quo ante as of January 15, 2014 and allowed GGAM to sell the shares. However, the arbitral tribunal expressly denied the request of GGAM to be declared full legal and beneficial owner of the shares, free of any claims, liens or encumbrances by BRHI, SPI and PMHI, and denied the request of GGAM to enjoin BRHI, SPI and PMHI and their affiliates from taking any action that would interfere with or prevent any sale of the shares. The arbitral tribunal emphasizes that it makes no declaration as to the ownership of the shares. The arbitration proceedings on the merits continue to this day.

Following the order of the arbitral tribunal, GGAM filed a Manifestation with the MRTC informing the order of the arbitral tribunal and seeking assistance in the enforcement thereof. BRHI, SPI and PMHI filed a Counter-Manifestation stating among others, the impropriety of the Manifestation given its non-compliance with requirements of the Special Rules of Court and Alternative Dispute Resolution (Special ADR Rules) for enforcement of judgement/interim measures of protection. GGAM also filed a Manifestation and Motion with the Court of Appeals seeking the same relief as that filed with the MRTC. BRHI, SPI and PMHI filed a Comment/Opposition arguing against the grant of the Motion with the Court of Appeals for non-compliance with the Special ADR Rules as well as for forum-shopping. These incidents remain pending with the MRTC and the Court of Appeals



No further details were provided as required under PAS 37, Provisions, Contingent Liabilities and Contingent Assets, because these may prejudice the Group's position in relation to this matter.

- e. 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.

On April 23, 2013, the BIR issued RMC No.33-2013, clarifying that PAGCOR and its contractees and licensees are subject to 30% RCIT on their gaming and non-gaming revenues. Such RMC may affect the tax exemption of BRHI.

Despite this RMC, however, management still believes that the tax benefits granted under the PAGCOR 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.

BRHI, together with other Entertainment City licensees, have filed a request for common administrative relief with PAGCOR from the adverse effect of RMC No. 33-2013. Granting this request, PAGCOR has temporarily reduced the license fees by 10 percentage points effective April 1, 2014 pending the settlement of this issue which is now pending in the Supreme Court in a petition filed by BRHI against the BIR. Consequently, BRHI paid RCIT effective April 1, 2014. The parties agreed to revert to the original license fee structure under the Provisional License in the event the BIR action to collect income tax from PAGCOR is permanently restrained, corrected or withdrawn by order of the BIR or the courts or under a new law.

On June 4, 2014, BRHI filed with the Supreme Court a Petition for Certiorari and Prohibition under Rule 65 of the Rules of Court. The petition seeks to annul the issuance of the Bureau of Internal Revenue of an unlawful governmental regulation, specifically the provision in RMC 33-2013 dated April 17, 2013 subjecting the contractees and licensees of PAGCOR to income tax under the NIRC, as it violates the tax exemption granted to contractees of PAGCOR under Section 13(2)(b) of P.D. 1869. On January 5, 2015, BRHI received the Comment of the BIR dated December 17, 2014. In its Comment, the BIR raised the following defenses: 1) that the issuance of RMC 33-2013 is not tainted with grave abuse of discretion; 2) the remedy of prohibition will not lie to undo an act that is already fait accompli; and 3) tax exemptions are strictly construed against the party seeking exemption. As of March 18, 2015, BRHI is still waiting for the resolution by the Supreme Court of its petition.

However the Supreme Court en banc decision dated December 10, 2014 in PAGCOR v. BIR (G.R. No. 215427), has effectively reversed the legal basis for BIR's issuance of RMC 33-2013. The Supreme Court declared that PAGCOR's tax privilege of paying only the 5% franchise tax in lieu of all other taxes under its charter has not been repealed by RA 9337 (which deleted PAGCOR from the list of tax exempt GOCC's in the National Internal Revenue Code). The Supreme Court ordered the BIR, among others, to cease and desist the



implementation of RMC No. 33-2013 imposing corporate income tax on PAGCOR's income derived from its gaming operation. This Supreme Court decision supports BRHI's position in its own petition against the BIR pending before the Supreme Court concerning its tax exemption as a licensee under the PAGCOR Charter.

## 20. Income Taxes

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

|          | 2014                  | 2013                | 2012                 |
|----------|-----------------------|---------------------|----------------------|
| Current  | <b>₱2,364,599,187</b> | <b>₱—</b>           | <b>₱—</b>            |
| Deferred | <b>45,485,023</b>     | 154,948,159         | (68,437,939)         |
|          | <b>₱2,410,084,210</b> | <b>₱154,948,159</b> | <b>(₱68,437,939)</b> |

The provision for current income tax in 2014 represents RCIT effective April 1, 2014.

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:

|                                                                               | 2014                  | 2013                | 2012                 |
|-------------------------------------------------------------------------------|-----------------------|---------------------|----------------------|
| Provision for (benefit from) tax at statutory tax rate of 30%                 | <b>₱1,944,745,661</b> | (₱348,042,542)      | (₱226,912,997)       |
| Tax effects of:                                                               |                       |                     |                      |
| Income subject to final tax, non-taxable income and non-deductible expenses   | <b>(211,719,163)</b>  | 191,887,351         | (35,762,118)         |
| Net movement in unrecognized deferred income tax assets and other adjustments | <b>677,057,712</b>    | 311,103,350         | 194,237,176          |
|                                                                               | <b>₱2,410,084,210</b> | <b>₱154,948,159</b> | <b>(₱68,437,939)</b> |

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

|                                  | 2014                  | 2013                 |
|----------------------------------|-----------------------|----------------------|
| Deferred tax assets:             |                       |                      |
| Accrued rent under PAS 17        | <b>₱40,218,495</b>    | ₱71,571,261          |
| Prepayment option                | <b>17,927,921</b>     | 10,622,692           |
| Capitalized interest on option   | —                     | 3,787,843            |
| Retirement liability             | <b>6,112,166</b>      | 2,386,110            |
|                                  | <b>64,258,582</b>     | 88,367,906           |
| Deferred tax liabilities:        |                       |                      |
| Capitalized interest             | <b>(63,933,766)</b>   | —                    |
| Capitalized rent                 | <b>(99,860,732)</b>   | (141,339,278)        |
| Unrealized foreign exchange gain | <b>(11,484,455)</b>   | (15,244,513)         |
|                                  | <b>(₱111,020,371)</b> | <b>(₱68,215,885)</b> |

- 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 from the start of its commercial operations and in the case of Sureste, management believes that it is not probable that taxable profit will be available against which the deductible temporary differences arising from its NOLCO and MCIT can be utilized:

|                                   | 2014                  | 2013           |
|-----------------------------------|-----------------------|----------------|
| NOLCO                             | <b>₱4,849,326,615</b> | ₱3,258,782,731 |
| Allowance for doubtful accounts   | <b>789,077,029</b>    | 532,705,442    |
| Accrual of points                 | <b>326,721,196</b>    | 117,677,889    |
| Provision for progressive jackpot | <b>205,703,026</b>    | 130,066,202    |
| Retirement liability              | <b>102,119,600</b>    | 39,430,800     |
| Foreign exchange gains - net      | <b>(35,842,897)</b>   | (27,589,165)   |
| Capitalized rent                  | <b>(51,973,836)</b>   | (54,828,234)   |
| Accrued rent under PAS 17         | <b>25,299,157</b>     | 29,486,287     |
| Prepayment option                 | <b>11,006,413</b>     | 5,433,713      |
| Capitalized interest on option    | <b>(711,259)</b>      | 750,321        |
| MCIT                              | —                     | 70,106         |
|                                   | <b>₱6,220,725,044</b> | ₱4,031,986,092 |

- d. As of December 31, 2014, 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               |
|---------------|-------------|-----------------------|-----------|---------------------|-----------------------|
| 2014          | 2017        | ₱1,843,785,618        | ₱—        | ₱—                  | ₱1,843,785,618        |
| 2013          | 2016        | 2,046,078,667         | —         | —                   | 2,046,078,667         |
| 2012          | 2015        | 959,462,330           | —         | —                   | 959,462,330           |
| 2011          | 2014        | 253,241,734           | —         | 253,241,734         | —                     |
|               |             | <b>₱5,102,568,349</b> | <b>₱—</b> | <b>₱253,241,734</b> | <b>₱4,849,326,615</b> |

- e. MCIT amounting to ₱70,106 incurred as of December 31, 2011 expired in 2014
- f. 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:

- 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 (GIT), in lieu of all national and local taxes; and
- 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.

On December 6, 2013, Sureste decided to waive the ITH incentive and be subjected instead to GIT (with exemption from real property tax). Sureste has obtained confirmation of the said waiver with PEZA and therefore now subject to GIT.



- g. 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.

In a decision dated December 10, 2014 in PAGCOR v. BIR (G.R. No. 215427), the Supreme Court en banc clarified that PAGCOR's tax privilege of paying only the 5% franchise tax in lieu of all other taxes for its gaming revenue under its charter has not been repealed by RA 9337 (which deleted PAGCOR from the list of tax exempt GOCC's in the National Internal Revenue Code).

## 21. Financial Assets and Liabilities and Financial Risk Management Objectives and Policies

### Fair Value

The carrying values of cash and cash equivalents, current portion of restricted cash, receivables (except advances to officers and employees), current portion of security deposit and payables and other current liabilities (except statutory payables) approximate their fair values at reporting date due to the relatively short-term nature of the transactions.

The carrying value of restricted cash - net of current portion and long-term debt (excluding fixed rate Corporate Notes) approximates fair value because of regular repricing based on market conditions. The Company's variable rate long-term debt is repriced on a quarterly basis.

The table below set forth the carrying values and the estimated fair values of the Company's financial assets and liabilities for which fair values are determined for measurement and/or disclosure as of December 31, 2014 and 2013:

|                                                                                         | 2014            |             | 2013            |             |
|-----------------------------------------------------------------------------------------|-----------------|-------------|-----------------|-------------|
|                                                                                         | Carrying Amount | Fair Value  | Carrying Amount | Fair Value  |
| <b>Financial Assets</b>                                                                 |                 |             |                 |             |
| Loans and receivables -                                                                 |                 |             |                 |             |
| Noncurrent portion of security deposit (presented as part of "Other noncurrent assets") | ₱42,444,083     | ₱37,093,796 | ₱19,361,053     | ₱18,945,637 |
| Financial assets at FVPL -                                                              |                 |             |                 |             |
| Derivative asset (presented as part of "Prepayments and other current assets")          | 24,298,677      | 24,298,677  | 49,119,127      | 49,119,127  |

(Forward)



|                               | 2014                   |                        | 2013            |             |
|-------------------------------|------------------------|------------------------|-----------------|-------------|
|                               | Carrying Amount        | Fair Value             | Carrying Amount | Fair Value  |
| <b>Financial Liabilities</b>  |                        |                        |                 |             |
| Other financial liabilities - |                        |                        |                 |             |
| Long-term debt                | 11,347,978,530         | 14,006,053,562         | —               | —           |
|                               | <b>₱11,414,721,290</b> | <b>₱14,067,446,035</b> | ₱68,480,180     | ₱68,064,764 |

*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 estimated fair value of fixed rate long-term debt is based on the discounted value of future cash flows using the applicable PDST-F rate of 2.6%.

#### 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.

The table below summarizes the classification of the Company's financial assets and liabilities as of December 31, 2014 and 2013 based on fair value measurement hierarchy.

|                                                                 |      | Level 1 | Level 2     | Level 3        | Total          |
|-----------------------------------------------------------------|------|---------|-------------|----------------|----------------|
| <b>Assets and liability for which fair value is disclosed -</b> |      |         |             |                |                |
| Noncurrent portion of security deposit                          | 2014 | ₱—      | ₱37,093,796 | ₱—             | ₱37,093,796    |
|                                                                 | 2013 | —       | 18,945,637  | —              | 18,945,637     |
| Long-term debt                                                  | 2014 | —       | —           | 14,006,053,562 | 14,006,053,562 |
|                                                                 |      | Level 1 | Level 2     | Level 3        | Total          |
| <b>Asset measured at fair value -</b>                           |      |         |             |                |                |
| Derivative asset                                                | 2014 | ₱—      | ₱24,298,677 | ₱—             | ₱24,298,677    |
|                                                                 | 2013 | —       | 49,119,127  | —              | ₱49,119,127    |

In 2014 and 2013, 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.



### Offsetting of Financial Assets and Financial Liabilities

The following table set forth the offsetting of financial assets and liabilities recognized at December 31, 2014 and 2013:

|                                        | Gross amount of<br>recognized financial<br>assets and liabilities | Gross amounts of<br>recognized financial<br>assets and liabilities<br>set off in the<br>statement of<br>financial position | Net amount<br>presented in the<br>statement of<br>financial position |
|----------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| <b>December 31, 2014</b>               |                                                                   |                                                                                                                            |                                                                      |
| Asset                                  |                                                                   |                                                                                                                            |                                                                      |
| Advances to contractors                | ₱287,831,028                                                      | (₱11,033,207)                                                                                                              | ₱276,797,821                                                         |
| Liability                              |                                                                   |                                                                                                                            |                                                                      |
| Payables and other current liabilities | 9,159,160,904                                                     | (₱11,033,207)                                                                                                              | 9,148,127,697                                                        |
| <b>December 31, 2013</b>               |                                                                   |                                                                                                                            |                                                                      |
| Asset                                  |                                                                   |                                                                                                                            |                                                                      |
| Advances to contractors                | ₱1,817,541,226                                                    | (₱694,936,670)                                                                                                             | ₱1,122,604,556                                                       |
| Liability                              |                                                                   |                                                                                                                            |                                                                      |
| Payables and other current liabilities | 7,260,802,854                                                     | (694,936,670)                                                                                                              | 6,565,866,184                                                        |

There were no financial instruments subject to an enforceable master netting arrangement that were not set-off in the consolidated statements of financial position.

### Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist mainly of borrowings from local financial institutions, 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, receivables, restricted cash, payables and other accrued 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.

The following table demonstrates the sensitivity of the Company's income before income tax (through the impact on floating rate borrowings) in 2014 and 2013 to a reasonably possible change in interest rates, with all other variables held constant. There is no impact on the Company's equity other than those already affecting the net income.

|                | 2014         | 2013        |
|----------------|--------------|-------------|
| Increase by 2% | ₱20,204,302  | ₱7,420,601  |
| Decrease by 2% | (20,204,302) | (7,420,601) |



A possible change in interest rates on long-term debt has no effect on income before income tax and equity in 2012 as all interests on long-term debt were capitalized as part of “construction in progress” (see Note 10).

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 gains of ₱3.4 million in 2014 and ₱187.5 million in 2013, respectively, and net foreign exchange losses of ₱115.8 million in 2012, on the revaluation of its foreign currency-denominated cash and cash equivalents, receivables, restricted cash, payables and accrued expenses.

In the revaluation of its foreign currency-denominated financial assets and liabilities, the Group used the following exchange rates as of December 31, 2014 and 2013:

| Currency | 2014   | 2013   |
|----------|--------|--------|
| USD      | 44.720 | 44.395 |
| HKD      | 5.749  | 5.727  |
| EUR      | 54.339 | 60.816 |
| SGD      | 33.696 | 34.999 |
| AUD      | 36.206 | —      |

The Group’s foreign currency-denominated monetary assets and liabilities as of December 31, 2014 and 2013, and their Philippine peso equivalent follow:

|                                                    | Original Currency |               |          |           |         | Peso Equivalent |
|----------------------------------------------------|-------------------|---------------|----------|-----------|---------|-----------------|
|                                                    | USD               | HKD           | EUR      | SGD       | AUD     |                 |
| <b>December 31, 2014</b>                           |                   |               |          |           |         |                 |
| Financial assets:                                  |                   |               |          |           |         |                 |
| Cash and cash equivalents                          | 162,627,492       | 248,426,004   | 54,981   | 2,671,643 | 674,158 | 8,818,322,399   |
| Receivables                                        | 14,684            | 410,041,483   | 1,500    | 7,000     | —       | 2,358,302,535   |
| Financial liabilities -                            |                   |               |          |           |         |                 |
| Payables and other current liabilities             | (3,853,624)       | (126,325,343) | (57,076) | (226,675) | —       | (909,317,956)   |
| Net foreign currency -denominated financial assets | 158,788,552       | 532,142,144   | (595)    | 2,451,968 | 674,158 | 10,267,306,978  |
| <b>December 31, 2013</b>                           |                   |               |          |           |         |                 |
| Financial assets:                                  |                   |               |          |           |         |                 |
| Cash and cash equivalents                          | 36,927,144        | 54,026,801    | 4,151    | 490,419   | —       | 1,969,314,943   |
| Receivables                                        | —                 | 266,246,156   | —        | —         | —       | 1,524,818,360   |
| Financial liabilities -                            |                   |               |          |           |         |                 |
| Payables and other current liabilities             | (3,257,165)       | —             | —        | (84,263)  | —       | (146,341,427)   |
| Net foreign currency -denominated financial assets | 33,669,979        | 320,272,957   | 4,151    | 406,156   | —       | 3,347,791,876   |

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group’s income or loss before income tax at December 31, 2014 and 2013. There is no other impact on the Group’s equity other than those affecting other income or loss before income tax.

|                          | USD           | HKD          | EUR     | SGD         | AUD       |
|--------------------------|---------------|--------------|---------|-------------|-----------|
| <b>December 31, 2014</b> |               |              |         |             |           |
| Increase by 3%           | 213,030,721   | 91,778,556   | (970)   | 2,478,645   | 732,257   |
| Decrease by 3%           | (213,030,721) | (91,778,556) | 970     | (2,478,645) | (732,257) |
| <b>December 31, 2013</b> |               |              |         |             |           |
| Increase by 3%           | 44,843,362    | 55,026,097   | 7,573   | 426,452     | —         |
| Decrease by 3%           | (44,843,362)  | (55,026,097) | (7,573) | (426,452)   | —         |



### 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 ₱21,444.3 million and ₱6,108.9 million as of December 31, 2014 and 2013, 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, 2014 and 2013 based on contractual undiscounted payments.

| 2014                                           |                        |                       |                       |                       |                        |                        |
|------------------------------------------------|------------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------|
|                                                | Within<br>1 Year       | 1-2 Years             | 2-3 Years             | 3-4 Years             | More than<br>4 Years   | Total                  |
| <b>Financial assets:</b>                       |                        |                       |                       |                       |                        |                        |
| Cash and cash equivalents:                     |                        |                       |                       |                       |                        |                        |
| Cash on hand                                   | ₱2,244,540,382         | ₱-                    | ₱-                    | ₱-                    | ₱-                     | ₱2,244,540,382         |
| Cash in banks                                  | 10,532,314,775         | -                     | -                     | -                     | -                      | 10,532,314,775         |
| Temporary cash investments                     | 1,157,048,545          | -                     | -                     | -                     | -                      | 1,157,048,545          |
| Debt collateral accounts                       | 813,900,479            | -                     | -                     | -                     | -                      | 813,900,479            |
| Receivables                                    |                        |                       |                       |                       |                        |                        |
| Casino                                         | 4,757,052,471          | -                     | -                     | -                     | -                      | 4,757,052,471          |
| Hotel                                          | 63,605,452             | -                     | -                     | -                     | -                      | 63,605,452             |
| Others                                         | 16,503,726             | -                     | -                     | -                     | -                      | 16,503,726             |
| Security deposit                               | 16,376,938             | 42,444,083            | -                     | -                     | -                      | 58,821,021             |
| Restricted cash                                | 6,696,490,521          | -                     | -                     | -                     | -                      | 6,696,490,521          |
| Derivative asset                               | 24,298,677             | -                     | -                     | -                     | -                      | 24,298,677             |
|                                                | <b>₱26,322,131,966</b> | <b>₱42,444,083</b>    | <b>₱-</b>             | <b>₱-</b>             | <b>₱-</b>              | <b>₱26,364,576,049</b> |
| <b>Financial liabilities:</b>                  |                        |                       |                       |                       |                        |                        |
| Outstanding chip and other gaming liabilities: |                        |                       |                       |                       |                        |                        |
| Outstanding chip liability                     | ₱1,148,190,398         | ₱-                    | ₱-                    | ₱-                    | ₱-                     | ₱1,148,190,398         |
| Progressive jackpot liability                  | 205,703,026            | -                     | -                     | -                     | -                      | 205,703,026            |
| Liability for customer loyalty                 | 331,106,455            | -                     | -                     | -                     | -                      | 331,106,455            |
| Other gaming liabilities                       | 152,978,493            | -                     | -                     | -                     | -                      | 152,978,493            |
| Payable to contractors and suppliers           | 2,826,155,989          | -                     | -                     | -                     | -                      | 2,826,155,989          |
| Retention payable                              | 1,311,788,289          | -                     | -                     | -                     | -                      | 1,311,788,289          |
| Customers' deposits                            | 857,664,545            | -                     | -                     | -                     | -                      | 857,664,545            |
| Accrued expenses:                              |                        |                       |                       |                       |                        |                        |
| Current portion of accrued rent                | 150,850,262            | -                     | -                     | -                     | -                      | 150,850,262            |
| Accrued interest                               | 321,179,378            | -                     | -                     | -                     | -                      | 321,179,378            |
| Others                                         | 423,461,920            | -                     | -                     | -                     | -                      | 423,461,920            |
| Long-term debt                                 |                        |                       |                       |                       |                        |                        |
| Principal                                      | 2,034,050,000          | 2,908,514,739         | 4,318,697,315         | 6,465,762,646         | 17,130,622,780         | 32,857,647,480         |
| Interest                                       | 1,904,311,976          | 1,811,022,769         | 1,661,263,830         | 1,227,153,834         | 2,067,368,729          | 8,671,121,138          |
|                                                | <b>₱11,667,440,731</b> | <b>₱4,719,537,508</b> | <b>₱5,979,961,145</b> | <b>₱7,692,916,480</b> | <b>₱19,197,991,509</b> | <b>₱49,257,847,373</b> |
| 2013                                           |                        |                       |                       |                       |                        |                        |
|                                                | Within<br>1 Year       | 1-2 Years             | 2-3 Years             | 3-4 Years             | More than<br>4 Years   | Total                  |
| <b>Financial assets:</b>                       |                        |                       |                       |                       |                        |                        |
| Cash and cash equivalents:                     |                        |                       |                       |                       |                        |                        |
| Cash on hand                                   | ₱1,636,264,088         | ₱-                    | ₱-                    | ₱-                    | ₱-                     | ₱1,636,264,088         |
| Cash in banks                                  | 4,045,614,592          | -                     | -                     | -                     | -                      | 4,045,614,592          |
| Temporary cash investments                     | -                      | -                     | -                     | -                     | -                      | -                      |
| Debt collateral accounts                       | 410,360,759            | -                     | -                     | -                     | -                      | 410,360,759            |
| Receivables                                    |                        |                       |                       |                       |                        |                        |
| Casino                                         | 2,436,757,898          | -                     | -                     | -                     | -                      | 2,436,757,898          |
| Hotel                                          | 49,191,534             | -                     | -                     | -                     | -                      | 49,191,534             |
| Others                                         | 2,146,251              | -                     | -                     | -                     | -                      | 2,146,251              |
| Security deposit                               | 30,618,003             | 19,361,053            | -                     | -                     | -                      | 49,979,056             |
| Restricted cash                                | 16,625,108             | 2,254,801,647         | -                     | -                     | -                      | 2,271,426,755          |
| Derivative asset                               | 49,119,127             | -                     | -                     | -                     | -                      | 49,119,127             |
|                                                | <b>₱8,676,697,360</b>  | <b>₱2,274,162,700</b> | <b>₱-</b>             | <b>₱-</b>             | <b>₱-</b>              | <b>₱10,950,860,060</b> |



|                                                | 2013             |                |                |                |                      | Total           |
|------------------------------------------------|------------------|----------------|----------------|----------------|----------------------|-----------------|
|                                                | Within<br>1 Year | 1–2 Years      | 2–3 Years      | 3–4 Years      | More than<br>4 Years |                 |
| Financial liabilities:                         |                  |                |                |                |                      |                 |
| Outstanding chip and other gaming liabilities: |                  |                |                |                |                      |                 |
| Outstanding chip liability                     | ₱1,980,712,083   | ₱–             | ₱–             | ₱–             | ₱–                   | ₱1,980,712,083  |
| Progressive jackpot liability                  | 124,043,580      | –              | –              | –              | –                    | 124,043,580     |
| Liability for customer loyalty                 | 120,730,571      | –              | –              | –              | –                    | 120,730,571     |
| Other gaming liabilities                       | 36,498,917       | –              | –              | –              | –                    | 36,498,917      |
| Payable to contractors and suppliers           | 1,897,626,616    | –              | –              | –              | –                    | 1,897,626,616   |
| Retention payable                              | 893,911,281      | –              | –              | –              | –                    | 893,911,281     |
| Customers' deposits                            | 504,392,445      | –              | –              | –              | –                    | 504,392,445     |
| Accrued expenses:                              |                  |                |                |                |                      |                 |
| Current portion of accrued rent                | 197,247,233      | –              | –              | –              | –                    | 197,247,233     |
| Accrued interest                               | 30,694,161       | –              | –              | –              | –                    | 30,694,161      |
| Others                                         | 236,996,582      | –              | –              | –              | –                    | 236,996,582     |
| Long-term debt                                 |                  |                |                |                |                      |                 |
| Principal                                      | 1,082,850,000    | 2,034,050,000  | 2,796,050,000  | 3,615,968,388  | 8,361,899,510        | 17,890,817,898  |
| Interest                                       | 829,842,004      | 893,088,694    | 743,027,483    | 577,590,885    | 406,907,296          | 3,450,456,362   |
|                                                | ₱7,935,545,473   | ₱2,927,138,694 | ₱3,539,077,483 | ₱4,193,559,273 | ₱8,768,806,406       | ₱27,364,127,729 |

### 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, 2014 and 2013 for which the net maximum exposure is not equal to the gross maximum exposure.

|                            | Gross Maximum Exposure |                | Net maximum Exposure* |                |
|----------------------------|------------------------|----------------|-----------------------|----------------|
|                            | 2014                   | 2013           | 2014                  | 2013           |
| Cash and cash equivalents: |                        |                |                       |                |
| Cash in banks              | ₱10,532,314,775        | ₱4,045,614,592 | ₱10,532,314,775       | ₱4,024,614,592 |
| Temporary cash investments | 1,157,048,545          | –              | 1,157,048,545         | –              |
| Debt collateral accounts   | 813,900,479            | 410,360,759    | 813,900,479           | 409,360,759    |
|                            | ₱12,503,263,799        | ₱4,455,975,351 | ₱12,503,263,799       | ₱4,433,975,351 |

\* Net financial assets after taking into account insurance on bank deposits.

The following table shows the aging analysis of past due but not impaired receivables per class that the Company held as of December 31, 2014. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

| 2014               |                                     |                           |                     |          |                |                |
|--------------------|-------------------------------------|---------------------------|---------------------|----------|----------------|----------------|
|                    | Neither<br>Past Due nor<br>Impaired | Past due but not impaired |                     |          |                |                |
|                    |                                     | Less than<br>30 Days      | 30 Days<br>and Over | Impaired | Allowance      | Total          |
| Trade receivables: |                                     |                           |                     |          |                |                |
| Casino             | ₱1,483,555,474                      | ₱1,376,516,593            | ₱1,896,980,404      | ₱–       | (₱789,077,029) | ₱3,967,975,442 |
| Hotel              | 59,604,955                          | 3,380,403                 | 620,094             | –        | –              | 63,605,452     |
| Others             | 15,008,800                          | –                         | 1,494,926           | –        | –              | 16,503,726     |
|                    | ₱1,558,169,229                      | ₱1,379,896,996            | ₱1,899,095,424      | ₱–       | (₱789,077,029) | ₱4,048,084,620 |



|                    | 2013                                |                           |                     |           |                       |                       |
|--------------------|-------------------------------------|---------------------------|---------------------|-----------|-----------------------|-----------------------|
|                    | Neither<br>Past Due nor<br>Impaired | Past due but not impaired |                     | Impaired  | Allowance             | Total                 |
|                    |                                     | Less than<br>30 Days      | 30 Days<br>and Over |           |                       |                       |
| Trade receivables: |                                     |                           |                     |           |                       |                       |
| Casino             | ₱2,563,866,250                      | ₱1,800,000                | ₱403,797,090        | ₱—        | (₱532,705,442)        | ₱2,436,757,898        |
| Hotel              | 35,122,124                          | 6,840,237                 | 7,229,173           | —         | —                     | 49,191,534            |
| Others             | 2,146,251                           | —                         | —                   | —         | —                     | 2,146,251             |
|                    | <b>₱2,601,134,625</b>               | <b>₱8,640,237</b>         | <b>₱411,026,263</b> | <b>₱—</b> | <b>(₱532,705,442)</b> | <b>₱2,488,095,683</b> |

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, 2014 and 2013, all financial assets are viewed by management as 'high grade' considering the collectability 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 attributable to equity holders of the Parent Company as its capital, which amounted to ₱25,678.6 million and ₱16,032.9 million as of December 31, 2014 and 2013, 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 13 and 19). Debt-to-equity ratio is calculated as total liabilities over equity.

The Group's strategy is to maintain a sustainable debt-to-equity ratio. The debt-to-equity ratios as of December 31, 2014 and 2013, computed based on the separate financial statements of Sureste and BRHI, are as follows:

- a. Sureste

|                      | 2014                   | 2013            |
|----------------------|------------------------|-----------------|
| Total liabilities    | <b>₱25,350,005,381</b> | ₱17,573,259,748 |
| Equity               | <b>54,868,754,249</b>  | 50,487,213,771  |
| Debt-to-equity ratio | <b>0.5:1</b>           | 0.3:1           |



b. BRHI

|                      | 2014                   | 2013           |
|----------------------|------------------------|----------------|
| Total liabilities    | <b>₱18,592,054,366</b> | ₱8,909,940,708 |
| Equity               | <b>45,837,191,155</b>  | 38,102,864,285 |
| Debt-to-equity ratio | <b>0.4:1</b>           | 0.2:1          |

The Group's loan agreement requires the maintenance of a maximum debt-to-equity ratio of 2.33 times and 0.61 times on each testing date, computed based on the separate financial statements of Sureste and BRHI, respectively (see Note 13). On the other hand, PAGCOR Provisional License requires BRHI to maintain a debt-to-equity ratio of not more than 70:30 (see Note 19). As of December 31, 2014 and 2013, the Group is in compliance with these requirements.

**22. Basic/Diluted Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company**

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

|                                                                                                                                               | 2014                  | 2013             | 2012           |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------------|----------------|
| (a) Net income (loss) attributable to equity holders of the Parent Company                                                                    | <b>₱4,072,401,326</b> | (₱1,315,089,966) | (₱687,938,717) |
| (b) Shares of legal parent effectively owned by PMHI prior to acquisition of legal subsidiary by Bloomberry*                                  | —                     | —                | 5,865,496,700  |
| (c) Shares of legal subsidiary prior to acquisition by legal parent                                                                           | —                     | —                | 58,654,967     |
| (d) Exchange ratio = (b)/(c)                                                                                                                  | —                     | —                | 100            |
| (e) Weighted average of 58,654,967 shares of legal subsidiary prior to acquisition by legal parent in February 2013 legal subsidiary's shares | —                     | —                | 4,887,914      |
| (f) Weighted average of the equivalent legal parent's shares of legal subsidiary's shares prior to acquisition = (d) x (e)                    | —                     | —                | 488,791,400    |
| Shares of legal parent at beginning of year                                                                                                   | <b>10,589,800,556</b> | 10,589,800,556   | —              |
| Weighted average of:                                                                                                                          |                       |                  |                |
| 435,000,000 shares subscribed by PMHI on November 10                                                                                          | <b>60,416,667</b>     | —                | —              |
| 8,197,669 shares subscribed by PMHI on December 18                                                                                            | <b>273,256</b>        | —                | —              |
| Legal parent's shares right after acquisition of the legal subsidiary                                                                         | —                     | —                | 8,517,520,510  |
| 1,179,963,700 shares subscribed by PMHI on May 7 equivalent to the Offer Shares                                                               | —                     | —                | 786,642,467    |
| 117,996,300 shares subscribed by PMHI on May 31 equivalent to the Over-allotment Option Shares                                                | —                     | —                | 68,831,175     |
| (g) Weighted average of legal parent's shares issued after acquisition                                                                        | <b>10,650,490,478</b> | 10,589,800,556   | 9,372,994,152  |



|                                                                                                 | 2014           | 2013           | 2012          |
|-------------------------------------------------------------------------------------------------|----------------|----------------|---------------|
| Weighted average of:                                                                            |                |                |               |
| 8,197,669 shares acquired by the Parent Company on December 18, 2014                            | (273,256)      | —              | —             |
| 2,050,950 treasury shares issued for vested stock awards on December 18, 2014                   | 68,365         | —              | —             |
| (h) Weighted average number of treasury shares                                                  | (204,891)      | —              | —             |
| (i) Weighted average number of shares, net of treasury shares [(f) +(g)+(h)]                    | 10,650,285,588 | 10,589,800,556 | 9,861,785,552 |
| Weighted average of:                                                                            |                |                |               |
| Unvested stock awards granted on October 1, 2013                                                | ₱2,050,950     | ₱—             | ₱—            |
| 5,792,700 stock awards granted on October 1, 2013                                               | —              | 1,448,175      | —             |
| 4,318,589 stock awards granted on July 1, 2014                                                  | 2,195,283      | —              | —             |
| 4,486,000 stock awards granted on October 27, 2014                                              | 809,972        | —              | —             |
| (j) Weighted average of stock awards granted                                                    | 5,056,205      | 1,448,175      | —             |
| (k) Weighted average number of shares, net of treasury shares adjusted for dilution [(i) + (j)] | 10,655,341,793 | 10,591,248,731 | 9,861,785,552 |
| Basic earnings (loss) per share [(a)/ (i)]                                                      | ₱0.382         | (₱0.124)       | (₱0.070)      |
| Diluted earnings (loss) per share[(a)/ (k)]                                                     | ₱0.382         | (₱0.124)       | (₱0.070)      |

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

Basic and diluted earnings (loss) per share are stated at the same amount as the effect of the vesting of stock awards under the SIP is anti-dilutive.

## 23. Note to Consolidated Statements of Cash Flows

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise the following as of December 31:

|                                                 | 2014            | 2013           |
|-------------------------------------------------|-----------------|----------------|
| Cash and cash equivalents (see Note 4)          | ₱14,747,804,181 | ₱6,092,239,439 |
| Current portion of restricted cash (see Note 8) | 4,423,620,413   | 16,625,108     |
|                                                 | ₱19,171,424,594 | ₱6,108,864,547 |

The Group had no material non-cash investing nor non-cash financing activity-related transactions for the years ended December 31, 2014, 2013 and 2012, except for the following:

- Grant of stock incentive awards of 4,318,589 and 4,486,000 shares in July 2014 and October 2014, respectively.
- Grant of stock incentive awards of 5,792,700 shares in October 2013 amounting to ₱10.9 million (see Note 16).



## 24. Segment Information

The results of the Group's reportable business segment for the years ended December 31, 2014, 2013 and 2012 are as follows:

|                                                          | 2014                   | 2013             | 2012           |
|----------------------------------------------------------|------------------------|------------------|----------------|
| Consolidated EBITDA                                      | <b>₱10,083,113,223</b> | ₱1,118,107,241   | (₱589,834,710) |
| Depreciation and amortization<br>(see Note 17)           | <b>(2,817,962,191)</b> | (2,039,223,501)  | (33,923,083)   |
| Interest expense (see Note 13)                           | <b>(761,208,605)</b>   | (371,030,034)    | —              |
| Foreign exchange gains (losses) - net                    | <b>3,363,559</b>       | 187,466,625      | (115,780,579)  |
| Mark-to-market loss                                      | <b>(24,820,450)</b>    | (55,462,138)     | (16,838,284)   |
| Benefit from (provision for) income<br>tax (see Note 20) | <b>(2,410,084,210)</b> | (154,948,159)    | 68,437,939     |
| Consolidated net income (loss)                           | <b>₱4,072,401,326</b>  | (₱1,315,089,966) | (₱687,938,717) |

The assets and liabilities of the Group's reportable business segment as of December 31, 2014 and 2013 are as follows:

|                                | 2014                   | 2013            |
|--------------------------------|------------------------|-----------------|
| Assets:                        |                        |                 |
| Segment assets                 | <b>₱67,678,094,988</b> | ₱40,346,968,672 |
| Deferred tax assets - net      | —                      | —               |
| Total assets                   | <b>₱67,678,094,988</b> | ₱40,346,968,672 |
| Liabilities:                   |                        |                 |
| Segment liabilities            | <b>₱41,887,857,538</b> | ₱24,245,840,507 |
| Deferred tax liabilities - net | <b>111,020,371</b>     | 68,215,885      |
| Total liabilities              | <b>₱41,998,877,909</b> | ₱24,314,056,392 |

## 25. Events After Reporting Date

- a. During the first quarter of 2015 (up to March 18, 2015), the Group entered into the following agreements:
  - i. Bloomberry has signed four real estate sales agreements with several landowners for the purchase of land with an aggregate area of 12.2 hectares located in Muui Island in the Republic of Korea. The property is within the coverage of the Incheon Free Economic Zone and is intended to be developed into a leisure and tourism complex with entertainment facilities and mixed use developments. The property will be acquired under Solaire Korea Co., Ltd.
  - ii. Bloomberry has signed a real estate sales agreement for the purchase of the Silmi Island in the Republic of Korea. Silmi Island has an area of 20.96 hectares and is adjacent to the 12.2 hectares property in Muui Island. Silmi Island is also within in the coverage of the Incheon Free Economic Zone and is also intended to be developed into a leisure and tourism complex with entertainment facilities and mixed uses developments. The Silmi Island property will also be acquired by Solaire Korea Co., Ltd.



- iii. Bloomberg's subsidiary Solaire Korea Co., Ltd has signed an agreement with a group of shareholders of Golden & Luxury Co. Ltd. (G&L) for the acquisition of up to 92% shareholdings in G&L. G&L owns and operates a hotel and casino in Jeju Island in South Korea.

These agreements are still subject to performance of several conditions, thus, an estimate of the financial effect of these agreements cannot be made as of March 18, 2015.

- b. On March 18, 2015, the BOD of Bloomberg approved the declaration of cash dividend of five centavos (₱0.05) per share to stockholders of record on record date of April 7, 2015. The payment date of cash dividend will be on May 7, 2015.

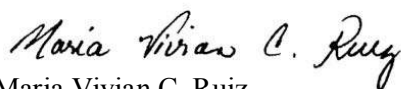


## **INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Bloomberry Resorts Corporation  
The Executive Offices, Solaire Resort & Casino  
1 Asean Avenue, Entertainment City, Tambo  
Parañaque City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Bloomberry Resorts Corporation and its subsidiaries (a subsidiary of Prime Metroline Holdings, Inc.) as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated March 18, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



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. 4751319, January 5, 2015, Makati City

March 18, 2015



**BLOOMBERRY RESORTS CORPORATION**

Schedule A. Financial Assets  
December 31, 2014

| Name of Issuing Entity and Description of Each Issue | Name of Issuing Entity and Association of Each Issue | Number of Shares or Principal Amount of Bonds and Notes | Amount Shown in the Balance Sheet | Value Based on Market Quotations at Balance Sheet Date | Unrealized mark-to-market gain |
|------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------|-----------------------------------|--------------------------------------------------------|--------------------------------|
|                                                      |                                                      | Not Applicable                                          |                                   |                                                        |                                |
|                                                      |                                                      |                                                         |                                   |                                                        |                                |

**BLOOMBERRY RESORTS CORPORATION**

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)  
For the Year Ended December 31, 2014

| Name and Designation of Debtor     | Beginning Balance | Additions    | Deductions       |                    |        | Current     | Non-current | Ending Balance |
|------------------------------------|-------------------|--------------|------------------|--------------------|--------|-------------|-------------|----------------|
|                                    |                   |              | Amount Collected | Amount Written-Off | Others |             |             |                |
| Bloomberry Resorts Corporation     | ₱1,064,305        | ₱165,620     | ₱655,790         |                    |        | ₱574,135    |             | ₱574,135       |
| Sureste Properties, Inc.           | 4,192,651         | 197,988,711  | 188,663,916      |                    |        | 13,517,446  |             | 13,517,446     |
| Bloomberry Resorts and Hotels Inc. | 21,483,079        | 150,188,573  | 146,124,235      |                    |        | 25,547,417  |             | 25,547,417     |
|                                    | ₱26,740,035       | ₱348,342,904 | ₱335,443,941     |                    |        | ₱39,638,998 |             | ₱39,638,998    |

**BLOOMBERRY RESORTS CORPORATION**

Schedule C. Amounts of Receivable from Related Parties, which are Eliminated During the Consolidation of Financial Statements  
For the Year Ended December 31, 2014

| Name and Designation of Debtor     | Beginning Balance | Additions      | Deductions       |                    |        | Current        | Non-current | Ending Balance |
|------------------------------------|-------------------|----------------|------------------|--------------------|--------|----------------|-------------|----------------|
|                                    |                   |                | Amount Collected | Amount Written-Off | Others |                |             |                |
| Bloomberry Resorts and Hotels Inc. | ₱2,196,499,432    | ₱60,356,244    | ₱2,196,499,432   |                    |        | ₱60,356,244    |             | ₱60,356,244    |
| Sureste Properties, Inc.           | -                 | 2,985,204,625  | 1,223,789,479    |                    |        | 1,761,415,146  |             | 1,761,415,146  |
| Solaire Korea Co., Ltd.            | -                 | 90,060,500     | -                |                    |        | 90,060,500     |             | 90,060,500     |
|                                    | ₱2,196,499,432    | ₱3,135,621,369 | ₱3,420,288,911   |                    |        | ₱1,911,831,890 |             | ₱1,911,831,890 |

**BLOOMBERRY RESORTS CORPORATION**

Schedule E. Long-term Debt  
December 31, 2014

| Name of Issuer and Type of Obligation            | Amount<br>Authorized by<br>Indenture | Amount Shown<br>as Current | Amount Shown as<br>Long-term | Remarks                                                         |
|--------------------------------------------------|--------------------------------------|----------------------------|------------------------------|-----------------------------------------------------------------|
| Sureste – Philippine peso-denominated term loans | ₱12,350,000,000                      | ₱1,696,550,000             | ₱9,863,100,000               | See Note 13 to the Audited<br>Consolidated Financial Statements |
| Sureste – Philippine peso-denominated term loans | 14,300,000,000                       | -                          | 8,063,762,840                |                                                                 |
| BRHI – Philippine peso-denominated term loans    | 2,250,000,000                        | 337,500,000                | 1,800,000,000                |                                                                 |
| BRHI – Philippine peso-denominated notes         | 11,425,000,000                       | -                          | 11,425,000,000               |                                                                 |
| Long-term Debt                                   | 40,325,000,000                       | 2,034,50,000               | 30,971,862,840               |                                                                 |
| Less: Unamortized Debt Issue Cost                | -                                    | 40,016,768                 | 357,644,832                  |                                                                 |
|                                                  | ₱40,325,000,000                      | ₱1,994,033,232             | ₱30,614,218,008              |                                                                 |

**BLOOMBERRY RESORTS CORPORATION**

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)  
December 31, 2014

| Name of Related Party | Beginning<br>Balance | Ending<br>Balance |
|-----------------------|----------------------|-------------------|
| <div>NONE</div>       |                      |                   |
|                       |                      |                   |

**BLOOMBERRY RESORTS CORPORATION**

Schedule G. Guarantees of Securities of Other Issuers

December 31, 2014

| Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed | Title of Issue of Each Class of Securities Guaranteed | Total Amount Guaranteed and Outstanding | Amount Owned by the Company for which Statement is Filed | Nature of Guarantee |
|---------------------------------------------------------------------------------------------|-------------------------------------------------------|-----------------------------------------|----------------------------------------------------------|---------------------|
|                                                                                             |                                                       | NONE                                    |                                                          |                     |
|                                                                                             |                                                       |                                         |                                                          |                     |

**BLOOMBERRY RESORTS CORPORATION**

Schedule H. Capital Stock  
December 31, 2014

| Title of Issue | Number of<br>Shares<br>Authorized | Number of<br>Shares Issued<br>and Outstanding | Number of Share<br>Reserved for<br>Options,<br>Warrants,<br>Conversions and<br>Other Rights | Number of Shares Held By |                                      |               |
|----------------|-----------------------------------|-----------------------------------------------|---------------------------------------------------------------------------------------------|--------------------------|--------------------------------------|---------------|
|                |                                   |                                               |                                                                                             | Subsidiaries             | Directors, Officers<br>and Employees | Others        |
| Shares         | 15,000,000,000                    | 11,026,851,506*                               | -                                                                                           | 7,553,656,500            | 57,850,726                           | 3,415,344,280 |
|                |                                   |                                               |                                                                                             |                          |                                      |               |

\*Net of treasury shares.

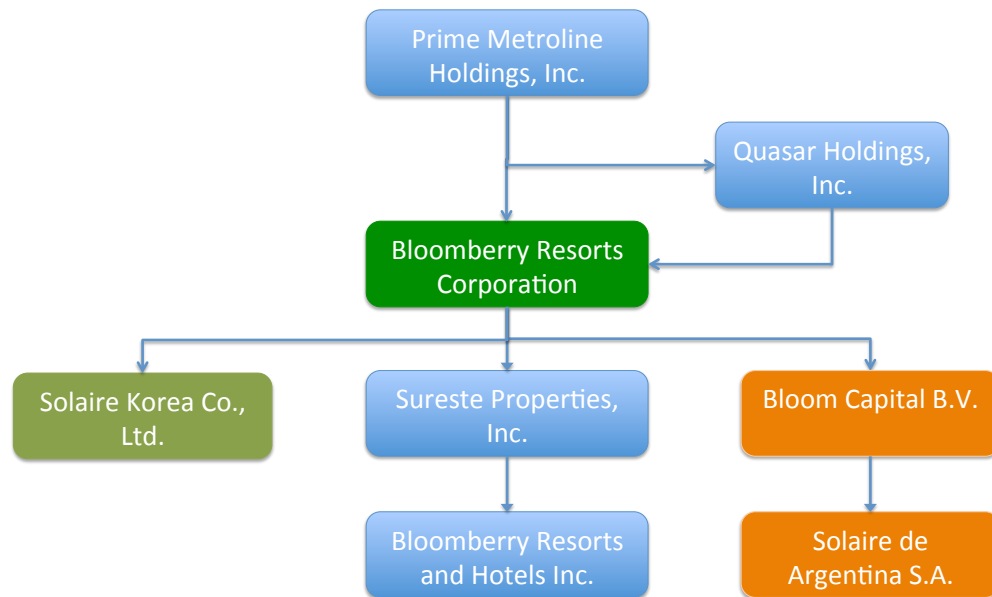
**BLOOMBERRY RESORTS CORPORATION**

Schedule I. Retained Earnings Available for Dividend Declaration  
December 31, 2014

|                                                                     | Amount        |
|---------------------------------------------------------------------|---------------|
| Unappropriated retained earnings, beginning                         | ₱38,705,086   |
| Adjustments:<br>(see adjustments in previous year's Reconciliation) | -             |
| Unappropriated retained earnings, as adjusted, beginning            | 38,705,086    |
| Add: Net income (loss) during the year                              | (62,649,059)  |
| Unappropriated deficit, as adjusted, ending                         | (₱23,943,973) |
|                                                                     |               |

**BLOOMBERRY RESORTS CORPORATION**

Schedule J. Map of Relationships  
December 31, 2014



**BLOOMBERRY RESORTS CORPORATION**

Schedule K. Proceeds of Placing and Subscription Transaction (1,179,963,700 Offer Shares and Exercise of 117,996,300 Overallotment Shares at ₱7.50 Offer Price)  
December 31, 2014

|                                        | Offering Circular | Actual         |
|----------------------------------------|-------------------|----------------|
| Gross Proceeds                         | ₱9,734,700,000    | ₱9,734,700,000 |
| Net Proceeds                           | 9,280,288,691     | 9,270,166,838  |
| Use of Net Proceeds:                   |                   |                |
| Investment in Sureste Properties, Inc. |                   | 9,270,166,838  |
| Balance as of December 31, 2014        |                   | ₱-             |
|                                        |                   |                |

**BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES**
**Schedule L. List of Effective Standards and Interpretations as of December 31, 2014**

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of January 1, 2014                                                           |                                                                                                                | Adopted           | Not Adopted | Not Applicable |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-------------------|-------------|----------------|
| <b>Framework for the Preparation and Presentation of Financial Statements</b><br>Conceptual Framework Phase A: Objectives and qualitative characteristics |                                                                                                                | ✓                 |             |                |
| <b>PFRSs Practice Statement Management Commentary</b>                                                                                                     |                                                                                                                |                   |             | ✓              |
| <b>Philippine Financial Reporting Standards</b>                                                                                                           |                                                                                                                |                   |             |                |
| <b>PFRS 1 (Revised)</b>                                                                                                                                   | First-time Adoption of Philippine Financial Reporting Standards                                                | ✓                 |             |                |
|                                                                                                                                                           | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |                   |             | ✓              |
|                                                                                                                                                           | Amendments to PFRS 1: Additional Exemptions for First-time Adopters                                            |                   |             | ✓              |
|                                                                                                                                                           | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters             |                   |             | ✓              |
|                                                                                                                                                           | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters                  |                   |             | ✓              |
|                                                                                                                                                           | Amendments to PFRS 1: Government Loans                                                                         |                   |             | ✓              |
|                                                                                                                                                           | Amendments to PFRS 1: Borrowing Costs                                                                          |                   |             | ✓              |
|                                                                                                                                                           | Amendments to PFRS 1: Meaning of Effective PFRS                                                                | Not early adopted |             |                |
| <b>PFRS 2</b>                                                                                                                                             | Share-based Payment                                                                                            | ✓                 |             |                |
|                                                                                                                                                           | Amendments to PFRS 2: Vesting Conditions and Cancellations                                                     | ✓                 |             |                |
|                                                                                                                                                           | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions                                      | ✓                 |             |                |
|                                                                                                                                                           | Amendments to PFRS 2: Definition of Vesting Conditions                                                         | Not early adopted |             |                |
| <b>PFRS 3 (Revised)</b>                                                                                                                                   | Business Combinations                                                                                          | ✓                 |             |                |
|                                                                                                                                                           | Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination                        | Not early adopted |             |                |
|                                                                                                                                                           | Amendments to PFRS 3: Scope Exceptions for Joint Arrangements                                                  | Not early adopted |             |                |
| <b>PFRS 4</b>                                                                                                                                             | Insurance Contracts                                                                                            |                   |             | ✓              |
|                                                                                                                                                           | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts                                                 |                   |             | ✓              |
| <b>PFRS 5</b>                                                                                                                                             | Non-current Assets Held for Sale and Discontinued Operations                                                   |                   |             | ✓              |
| <b>PFRS 6</b>                                                                                                                                             | Exploration for and Evaluation of Mineral                                                                      |                   |             | ✓              |

| <b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b><br><b>Effective as of January 1, 2014</b> |                                                                                                                                                   | <b>Adopted</b>    | <b>Not Adopted</b> | <b>Not Applicable</b> |
|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------|-----------------------|
|                                                                                                               | Resources                                                                                                                                         |                   |                    |                       |
| <b>PFRS 7</b>                                                                                                 | 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                                                               | ✓                 |                    |                       |
| <b>PFRS 8</b>                                                                                                 | Operating Segments                                                                                                                                | ✓                 |                    |                       |
|                                                                                                               | Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets | Not early adopted |                    |                       |
| <b>PFRS 9</b>                                                                                                 | Financial Instruments                                                                                                                             | Not early adopted |                    |                       |
|                                                                                                               | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures                                                               | Not early adopted |                    |                       |
| <b>PFRS 10</b>                                                                                                | Consolidated Financial Statements                                                                                                                 | ✓                 |                    |                       |
|                                                                                                               | Amendments to PFRS 10: Investment Entities                                                                                                        | ✓                 |                    |                       |
| <b>PFRS 11</b>                                                                                                | Joint Arrangements                                                                                                                                | ✓                 |                    |                       |
| <b>PFRS 12</b>                                                                                                | Disclosure of Interests in Other Entities                                                                                                         | ✓                 |                    |                       |
|                                                                                                               | Amendments to PFRS 12: Investment Entities                                                                                                        | ✓                 |                    |                       |
| <b>PFRS 13</b>                                                                                                | Fair Value Measurement (2013 Version)                                                                                                             | ✓                 |                    |                       |
|                                                                                                               | Amendments to PFRS 13: Short-term Receivables and Payables                                                                                        | ✓                 |                    |                       |
|                                                                                                               | Amendments to PFRS 13: Portfolio Exception                                                                                                        | Not early adopted |                    |                       |
| <b>Philippine Accounting Standards</b>                                                                        |                                                                                                                                                   |                   |                    |                       |
| <b>PAS 1 (Revised)</b>                                                                                        | Presentation of Financial Statements                                                                                                              | ✓                 |                    |                       |
|                                                                                                               | Amendment to PAS 1: Capital Disclosures                                                                                                           | ✓                 |                    |                       |
|                                                                                                               | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation                                             | ✓                 |                    |                       |
|                                                                                                               | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income                                                                          | ✓                 |                    |                       |
|                                                                                                               | Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation                                                               | ✓                 |                    |                       |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of January 1, 2014 |                                                                                                 | Adopted           | Not Adopted | Not Applicable |
|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-------------------|-------------|----------------|
| 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                                                                   | ✓                 |             |                |
|                                                                                                 | Amendment to PAS 16: Classification of Servicing Equipment                                      | ✓                 |             |                |
|                                                                                                 | Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation | Not early adopted |             |                |
| PAS 17                                                                                          | Leases                                                                                          | ✓                 |             |                |
| PAS 18                                                                                          | Revenue                                                                                         | ✓                 |             |                |
| PAS 19<br>(Amended)                                                                             | Employee Benefits                                                                               | ✓                 |             |                |
|                                                                                                 | Amendments to PAS 19: Defined Benefit Plans: Employee Contributions                             | Not early adopted |             |                |
| PAS 20                                                                                          | Accounting for Government Grants and Disclosure of Government Assistance                        | ✓                 |             |                |
| PAS 21                                                                                          | The Effects of Changes in Foreign Exchange Rates                                                | ✓                 |             |                |
|                                                                                                 | Amendment: Net Investment in a Foreign Operation                                                | ✓                 |             |                |
| PAS 23<br>(Revised)                                                                             | Borrowing Costs                                                                                 | ✓                 |             |                |
| PAS 24<br>(Revised)                                                                             | Related Party Disclosures                                                                       | ✓                 |             |                |
|                                                                                                 | Amendments to PAS 24: Key Management Personnel                                                  | Not early adopted |             |                |
| PAS 26                                                                                          | Accounting and Reporting by Retirement Benefit Plans                                            |                   |             | ✓              |
| PAS 27<br>(Amended)                                                                             | Separate Financial Statements                                                                   | ✓                 |             |                |
|                                                                                                 | Amendments to PAS 27: Investment Entities                                                       | ✓                 |             |                |
| PAS 28<br>(Amended)                                                                             | Investments in Associates and Joint Ventures                                                    | ✓                 |             |                |
| PAS 29                                                                                          | Financial Reporting in Hyperinflationary Economies                                              | ✓                 |             |                |
| PAS 32                                                                                          | Financial Instruments: Disclosure and Presentation                                              | ✓                 |             |                |
|                                                                                                 | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising          | ✓                 |             |                |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of January 1, 2014 |                                                                                                           | Adopted           | Not Adopted | Not Applicable |
|-------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-------------------|-------------|----------------|
|                                                                                                 | on Liquidation                                                                                            |                   |             |                |
|                                                                                                 | Amendment to PAS 32: Classification of Rights Issues                                                      | ✓                 |             |                |
|                                                                                                 | Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments                          | ✓                 |             |                |
|                                                                                                 | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities                               | ✓                 |             |                |
| <b>PAS 33</b>                                                                                   | Earnings per Share                                                                                        | ✓                 |             |                |
| <b>PAS 34</b>                                                                                   | Interim Financial Reporting                                                                               | ✓                 |             |                |
|                                                                                                 | Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities | ✓                 |             |                |
| <b>PAS 36</b>                                                                                   | Impairment of Assets                                                                                      | ✓                 |             |                |
|                                                                                                 | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets                             | ✓                 |             |                |
| <b>PAS 37</b>                                                                                   | Provisions, Contingent Liabilities and Contingent Assets                                                  | ✓                 |             |                |
| <b>PAS 38</b>                                                                                   | Intangible Assets                                                                                         | ✓                 |             |                |
|                                                                                                 | Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization          | Not early adopted |             |                |
| <b>PAS 39</b>                                                                                   | 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                                                                | ✓                 |             |                |
|                                                                                                 | Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting                         | ✓                 |             |                |
| <b>PAS 40</b>                                                                                   | Investment Property                                                                                       | ✓                 |             |                |
|                                                                                                 | Amendment to PAS 40: Investment Property                                                                  | Not early adopted |             |                |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of January 1, 2014 |                                                                                                                | Adopted | Not Adopted | Not Applicable |
|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|---------|-------------|----------------|
| 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> |         |             | ✓              |
| 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 15                                                                                        | Agreements for Construction of Real Estate                                                                     |         |             | ✓              |
| 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                                                      |         |             | ✓              |
| IFRIC 21                                                                                        | Levies                                                                                                         | ✓       |             |                |
| SIC-7                                                                                           | Introduction of the Euro                                                                                       |         |             | ✓              |
| SIC-10                                                                                          | Government Assistance - No Specific Relation to Operating Activities                                           |         |             | ✓              |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of January 1, 2014 |                                                                              | Adopted | Not Adopted | Not Applicable |
|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|---------|-------------|----------------|
| SIC-12                                                                                          | Consolidation - Special Purpose Entities                                     | ✓       |             |                |
|                                                                                                 | Amendment to SIC - 12: Scope of SIC 12                                       | ✓       |             |                |
| SIC-13                                                                                          | Jointly Controlled Entities - Non-Monetary Contributions by Venturers        |         |             | ✓              |
| SIC-15                                                                                          | Operating Leases - Incentives                                                | ✓       |             |                |
| SIC-25                                                                                          | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders    | ✓       |             |                |
| SIC-27                                                                                          | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | ✓       |             |                |
| SIC-29                                                                                          | Service Concession Arrangements: Disclosures.                                | ✓       |             |                |
| SIC-31                                                                                          | Revenue - Barter Transactions Involving Advertising Services                 |         |             | ✓              |
| SIC-32                                                                                          | Intangible Assets - Web Site Costs                                           | ✓       |             |                |

**Bloomberry Resorts Corporation and Subsidiaries**  
*(A Subsidiary of Prime Metroline Holdings, Inc.)*

Condensed Consolidated Financial Statements  
March 31, 2015 (Unaudited) and December 31, 2014 (Audited)  
and For The Three Months Ended March 31, 2015 and 2014  
(Unaudited)

**BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES**  
**(A Subsidiary of Prime Metroline Holdings, Inc.)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2015 AND DECEMBER 31, 2014**

|                                                                      | March 31,<br>2015<br><i>(Unaudited)</i> | December 31,<br>2014<br><i>(Audited)</i> |
|----------------------------------------------------------------------|-----------------------------------------|------------------------------------------|
| <b>ASSETS</b>                                                        |                                         |                                          |
| <b>Current Assets</b>                                                |                                         |                                          |
| Cash and cash equivalents                                            | P18,145,028,072                         | P14,747,804,181                          |
| Current portion of restricted cash                                   | 3,310,812,033                           | 6,696,490,521                            |
| Receivables                                                          | 3,088,676,110                           | 4,087,723,618                            |
| Inventories                                                          | 203,108,782                             | 182,959,044                              |
| Prepayments and other current assets                                 | 711,638,422                             | 741,864,870                              |
| Total Current Assets                                                 | 25,459,263,419                          | 26,456,842,234                           |
| <b>Noncurrent Assets</b>                                             |                                         |                                          |
| Advances to contractors                                              | 249,152,406                             | 276,797,821                              |
| Property and equipment                                               | 41,097,465,688                          | 40,470,608,091                           |
| Other noncurrent assets                                              | 3,114,466,406                           | 473,846,841                              |
| Total Noncurrent Assets                                              | 44,461,084,500                          | 41,221,252,753                           |
|                                                                      | P69,920,347,919                         | P67,678,094,987                          |
| <b>LIABILITIES AND EQUITY</b>                                        |                                         |                                          |
| <b>Current Liabilities</b>                                           |                                         |                                          |
| Payables and other current liabilities                               | P9,853,028,883                          | P9,148,127,697                           |
| Current portion of long-term debt                                    | 2,185,368,446                           | 1,994,033,232                            |
|                                                                      | 12,038,397,329                          | 11,142,160,929                           |
| <b>Noncurrent Liabilities</b>                                        |                                         |                                          |
| Long-term debt – net of current portion                              | 33,011,831,023                          | 30,614,218,008                           |
| Deferred tax liabilities                                             | 109,342,091                             | 111,020,371                              |
| Retirement liability and other noncurrent liabilities                | 143,485,025                             | 131,478,600                              |
| Total Noncurrent Liabilities                                         | 33,264,658,139                          | 30,856,716,979                           |
| Total Liabilities                                                    | 45,303,055,468                          | 41,998,877,908                           |
| <b>Equity</b>                                                        |                                         |                                          |
| Capital stock                                                        | 11,032,998,225                          | 11,032,998,225                           |
| Additional paid-in capital                                           | 13,162,080,045                          | 13,162,080,045                           |
| Equity reserves                                                      | (27,138,558)                            | (27,138,558)                             |
| Treasury shares                                                      | (77,448,659)                            | (77,448,659)                             |
| Share-based payment plan                                             | 60,801,121                              | 38,021,393                               |
| Retained earnings                                                    | 465,344,274                             | 1,550,048,630                            |
| Total Equity Attributable to Equity Holders<br>of the Parent Company | 24,616,636,448                          | 25,678,561,076                           |
| Equity Attributable to Non-controlling Interest                      | 656,003                                 | 656,003                                  |
|                                                                      | 24,617,292,451                          | 25,679,217,079                           |
|                                                                      | P69,920,347,919                         | P67,678,094,987                          |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES****(A Subsidiary of Prime Metroline Holdings, Inc.)****UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014**

|                                                             | 2015                  | 2014                  |
|-------------------------------------------------------------|-----------------------|-----------------------|
| <b>REVENUES</b>                                             |                       |                       |
| Gaming                                                      | P5,970,722,651        | P5,508,265,253        |
| Hotel, food and beverage                                    | 322,933,710           | 285,877,498           |
| Retail and others                                           | 32,521,346            | 22,547,285            |
| Interest income                                             | 16,950,998            | 12,606,531            |
|                                                             | <b>6,343,128,705</b>  | <b>5,829,296,567</b>  |
| <b>EXPENSES</b>                                             |                       |                       |
| Operating cost and expenses                                 | 5,752,873,876         | 4,354,992,324         |
| Interest expense                                            | 426,783,606           | 64,651,502            |
| Foreign exchange losses (gains) - net                       | 23,475,887            | (54,429,822)          |
| Mark-to-market losses                                       | 3,480,614             | 5,187,726             |
|                                                             | <b>6,206,613,983</b>  | <b>4,370,401,730</b>  |
| <b>INCOME BEFORE INCOME TAX</b>                             | <b>136,514,722</b>    | <b>1,458,894,837</b>  |
| <b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>              |                       |                       |
| Current                                                     | 671,247,447           | —                     |
| Deferred                                                    | (1,678,280)           | (2,319,634)           |
|                                                             | <b>669,569,167</b>    | <b>(2,319,634)</b>    |
| <b>NET INCOME (LOSS)</b>                                    | <b>(533,054,445)</b>  | <b>1,461,214,471</b>  |
| <b>OTHER COMPREHENSIVE INCOME</b>                           | <b>—</b>              | <b>—</b>              |
| <b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>                    | <b>(P533,054,445)</b> | <b>P1,461,214,471</b> |
| <b>Earnings (Loss) Per Share on Net Income (Loss)</b>       |                       |                       |
| <b>Attributable to Equity Holders of the Parent Company</b> |                       |                       |
| Basic                                                       | (P0.048)              | P0.138                |
| Diluted                                                     | (P0.048)              | P0.138                |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES**  
**(A Subsidiary of Prime Metroline Holdings, Inc.)**

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014**

|                                               | Equity Attributable to |                            |                      |                      |                          | Retained Earnings (Deficit) | Total                  | Non-controlling Interests | Total Equity           |
|-----------------------------------------------|------------------------|----------------------------|----------------------|----------------------|--------------------------|-----------------------------|------------------------|---------------------------|------------------------|
|                                               | Capital Stock          | Additional Paid-in Capital | Equity Reserve       | Treasury Shares      | Share-based Payment Plan |                             |                        |                           |                        |
| <b>Balances at January 1, 2015 (Audited)</b>  | <b>₱11,032,998,225</b> | <b>₱13,162,080,045</b>     | <b>(₱27,138,558)</b> | <b>(₱77,448,659)</b> | <b>₱38,021,393</b>       | <b>₱1,550,048,630</b>       | <b>₱25,678,561,076</b> | <b>₱656,003</b>           | <b>₱25,679,217,079</b> |
| Net loss                                      | —                      | —                          | —                    | —                    | —                        | (533,054,445)               | (533,054,445)          | —                         | (533,054,445)          |
| Other comprehensive loss                      | —                      | —                          | —                    | —                    | —                        | —                           | —                      | —                         | —                      |
| Total comprehensive income                    | —                      | —                          | —                    | —                    | —                        | (533,054,445)               | (533,054,445)          | —                         | (533,054,445)          |
| Share-based payments                          | —                      | —                          | —                    | —                    | 22,779,728               | —                           | 22,779,728             | —                         | 22,779,728             |
| Dividends declared                            | —                      | —                          | —                    | —                    | —                        | (551,649,911)               | (551,649,911)          | —                         | (551,649,911)          |
| Changes in non-controlling interests          | —                      | —                          | —                    | —                    | —                        | —                           | —                      | —                         | —                      |
| <b>Balances at March 31, 2015 (Unaudited)</b> | <b>₱11,032,998,225</b> | <b>₱13,162,080,045</b>     | <b>(₱27,138,558)</b> | <b>(₱77,448,659)</b> | <b>₱60,801,121</b>       | <b>₱465,344,274</b>         | <b>₱24,616,636,448</b> | <b>₱656,003</b>           | <b>₱24,617,292,451</b> |
| <b>Balances at January 1, 2014 (Audited)</b>  | <b>₱10,589,800,556</b> | <b>₱7,948,329,7360</b>     | <b>(₱27,138,558)</b> | <b>₱—</b>            | <b>10,883,035</b>        | <b>(₱2,488,964,831)</b>     | <b>₱16,032,909,938</b> | <b>₱2,342</b>             | <b>₱16,032,912,280</b> |
| Net income                                    | —                      | —                          | —                    | —                    | —                        | 1,461,214,471               | 1,461,214,471          | —                         | 1,461,214,471          |
| Other comprehensive income                    | —                      | —                          | —                    | —                    | —                        | —                           | —                      | —                         | —                      |
| Total comprehensive income                    | —                      | —                          | —                    | —                    | —                        | 1,461,214,471               | 1,461,214,471          | —                         | 1,461,214,471          |
| Subscription of capital stock                 | —                      | —                          | —                    | —                    | —                        | —                           | —                      | —                         | —                      |
| Payment of subscription                       | —                      | —                          | —                    | —                    | —                        | —                           | —                      | —                         | —                      |
| Share-based payments                          | —                      | —                          | —                    | —                    | 10,883,035               | —                           | 10,883,035             | —                         | 10,883,035             |
| <b>Balances at March 31, 2014 (Unaudited)</b> | <b>₱10,589,800,556</b> | <b>₱7,948,329,736</b>      | <b>(₱27,138,558)</b> | <b>₱—</b>            | <b>₱21,766,070</b>       | <b>(₱1,027,750,360)</b>     | <b>₱17,505,007,444</b> | <b>₱2,342</b>             | <b>₱17,505,009,786</b> |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES**  
**(A Subsidiary of Prime Metroline Holdings, Inc.)**

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014**

|                                                                     | 2015                   | 2014            |
|---------------------------------------------------------------------|------------------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |                        |                 |
| Income before income tax                                            | <b>₱136,514,722</b>    | ₱1,458,894,837  |
| Adjustments for:                                                    |                        |                 |
| Unrealized foreign exchange losses (gains) - net                    | <b>23,475,887</b>      | (54,429,822)    |
| Interest income                                                     | <b>(32,521,346)</b>    | (12,606,531)    |
| Retirement expense                                                  | <b>12,006,425</b>      | 8,904,675       |
| Interest expense                                                    | <b>426,783,606</b>     | 64,651,502      |
| Share-based payment expense                                         | <b>22,779,728</b>      | 10,883,035      |
| Depreciation and amortization                                       | <b>1,157,876,070</b>   | 679,550,838     |
| Income (loss) before working capital changes                        | <b>1,746,915,092</b>   | 2,155,848,534   |
| Decrease (increase) in:                                             |                        |                 |
| Receivables                                                         | <b>999,580,100</b>     | 241,625,765     |
| Inventories                                                         | <b>(20,149,738)</b>    | 41,878,296      |
| Prepayments and other current assets                                | <b>30,226,449</b>      | (87,671,461)    |
| Increase (decrease)                                                 |                        |                 |
| Accrued expenses and other current liabilities                      | <b>(96,608,739)</b>    | 334,612,783     |
| Net cash generated from operations                                  | <b>2,659,963,164</b>   | 2,686,293,917   |
| Interest received                                                   | <b>31,988,754</b>      | 10,582,028      |
| Net cash provided by operating activities                           | <b>2,691,951,918</b>   | 2,696,875,945   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |                        |                 |
| Additions to property and equipment                                 | <b>(1,784,733,667)</b> | (4,883,045,861) |
| Decrease (increase) in:                                             |                        |                 |
| Other noncurrent assets                                             | <b>(2,640,619,565)</b> | 60,629,346      |
| Restricted cash - net of current portion                            | <b>(5,791,407)</b>     | (2,902,327)     |
| Advance to contractors                                              | <b>27,645,415</b>      | 2,389,195,762   |
| Net cash used in investing activities                               | <b>(4,403,499,224)</b> | (2,436,123,080) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |                        |                 |
| Net proceeds from availment of loans                                | <b>2,777,313,015</b>   | 13,473,299,327  |
| Payment of interest                                                 | <b>(656,835,826)</b>   | (46,105,429)    |
| Payment of principal                                                | <b>(379,700,000)</b>   | —               |
| Net cash provided by financing activities                           | <b>1,740,777,189</b>   | 13,427,193,898  |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b> | <b>(23,475,887)</b>    | 54,429,822      |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                    | <b>11,545,403</b>      | 13,742,376,585  |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>             |                        |                 |
| Cash and cash equivalents                                           | <b>14,747,804,181</b>  | 6,092,239,439   |
| Current portion of restricted cash                                  | <b>4,423,620,413</b>   | 16,625,108      |
|                                                                     | <b>19,171,424,594</b>  | 6,108,864,547   |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                   |                        |                 |
| Cash and cash equivalents                                           | <b>18,145,028,072</b>  | 18,325,485,764  |
| Current portion of restricted cash                                  | <b>1,032,150,519</b>   | 1,525,755,368   |
|                                                                     | <b>₱19,177,178,591</b> | ₱19,851,241,132 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

## **BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES**

**(A Subsidiary of Prime Metroline Holdings, Inc.)**

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### **NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1. Organization and Business**

##### **a. Corporate Information**

Bloomberry Resorts Corporation (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. Until 2003, Bloomberry was mainly engaged in the manufacture and distribution of consumer communication and electronic equipment and operated within the Subic Bay Freeport Zone (SBFZ) under 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 The Executive Offices, Solaire Resort & Casino, 1 Asean Avenue, Entertainment City, Tambo, Parañaque City.

##### **b. Change in Ownership of Bloomberry**

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 from Active Alliance, Incorporated to Bloomberry Resorts Corporation and change in the primary purpose to that of a holding company.

In November and December 2014, PMHI subscribed to 435.0 million shares and 8,197,669 shares, respectively, to replace the same number of shares that it sold in a private placement to various investors and the shares that the Parent Company borrowed for share-based payments.

As of March 31, 2015, PMHI (the ultimate parent company) owns 58.08% of Bloomberry.

c. Subsidiaries of Bloomberg

On February 6, 2012, PMHI sold 100% of its ownership interest in Sureste Properties, Inc. (Sureste) to Bloomberg for ₱5.9 billion. Consequently, Bloomberg's subsidiaries include Sureste and its wholly-owned subsidiary, Bloomberg Resorts and Hotels Inc. (BRHI).

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, amusement areas and themed development components.

On November 21, 2013, Bloomberg subscribed to 60% of the capital stock of Bloom Capital B.V., a financial holding entity incorporated in the Netherlands as a private company with limited liability under the Dutch law. On October 23, 2014, Bloomberg acquired the remaining 40% of the capital stock of Bloom Capital B.V. In 2014, Bloom Capital B.V. acquired 94% shares in Solaire de Argentina S.A.

In December 2014, Solaire Korea Co., Ltd. was established by Bloomberg to hold the company's investment in the leisure and entertainment business in Republic of Korea.

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 (the "Project"). 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 "Solairé", 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.

Solairé is one of the Philippines' first premium/luxury hotel and gaming resort. The 16-hectare gaming and integrated resort complex along Asean Avenue in Parañaque City is the first casino to operate within Entertainment City. BRHI, as the license holder, operates the casino while Sureste operates the hotel business.

On March 16, 2013, BRHI and Sureste commenced commercial operations, upon completion of Phase 1 of Solairé, now referred to as the Bay Tower, along with the opening of the main gaming area and initial non-gaming amenities, such as Solairé's hotel, food and beverage outlets.

On November 22, 2014, the Group opened the Sky Tower, which was previously referred to as Phase 1A development of Solairé. Contiguous to the existing Solairé Resort and Casino, the Sky Tower consist of a 312 all-suite hotel, additional ten gaming salons, an exclusive Chinese restaurant and a whisky and cigar bar for VIP gamers, state-of-the art meeting rooms and a lyrical theater. The Sky Tower also features two restaurants.

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## 2. Summary of Significant Accounting Policies and Disclosures

### Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2014.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis, except for the derivative assets that have been measured at fair value. The unaudited condensed 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

The unaudited consolidated financial statements include the financial statements of Bloomberry and its subsidiaries (collectively referred to as the "Group").

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee, if and only if, the Parent Company has:

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

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. 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.

On February 6, 2012, Bloomberry completed the acquisition of Sureste from PMHI through a cash transaction. 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.

Reverse acquisition applies only to the consolidated financial statements. The parent company financial statements will continue to represent Bloomberry as a stand-alone entity.

As of March 31, 2015 and December 31, 2014, subsidiaries of Bloomberry include:

|                           | <b>Effective Percentage<br/>of Ownership</b> |                              |
|---------------------------|----------------------------------------------|------------------------------|
|                           | <b>March 31,<br/>2015</b>                    | <b>December 31,<br/>2014</b> |
|                           | <i>(Unaudited)</i>                           | <i>(Audited)</i>             |
| Sureste                   | <b>100</b>                                   | <b>100</b>                   |
| BRHI                      | <b>100</b>                                   | <b>100</b>                   |
| Bloom Capital B.V.        | <b>100</b>                                   | <b>100</b>                   |
| Solaire Korea Co., Ltd.   | <b>100</b>                                   | <b>100</b>                   |
| Solaire de Argentina S.A. | <b>94</b>                                    | <b>94</b>                    |

*Non-Controlling Interests.* Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Parent Company and are presented in the profit or loss and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company.

#### 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 new and revised standards, interpretations and amendments to existing PFRS effective January 1, 2015.

- PFRS 9, *Financial Instruments* – Classification and Measurement (2010 version). PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective

to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA). The amendment has no impact on the Group's financial position or performance.

- *PAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)*. The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendment has no impact on the Group's financial position or performance.
- Annual Improvements to PFRSs (2010-2012 cycle). The Annual Improvements to PFRSs (2010–2012 cycle) are effective for annual periods beginning on or after January 1, 2015. They include:

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

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

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

The Group will assess the impact of this amendment.

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

The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

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

The amendments are applied retrospectively and clarify that:

- a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities

The amendment has no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment has no impact on the Group's financial position or performance.

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

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Annual Improvements to PFRSs (2011-2013 cycle). The Annual Improvements to PFRSs (2011–2013 cycle) are effective for annual periods beginning on or after January 1, 2015. They include:

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

The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The amendment has no impact on the Group's financial position or performance.

- PFRS 13, Fair Value Measurement – Portfolio Exception

The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*

The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment has no significant impact on the Group's financial position or performance.

#### Standards Issued But Not Yet Effective

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

#### *Effective in 2016*

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments). The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments). The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.
  
- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.
  
- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.
  
- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments). The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with

early adoption permitted. These amendments are not expected to have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*. PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.
- Annual Improvements to PFRSs (2012-2014 cycle). The Annual Improvements to PFRSs (2012–2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

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

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

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

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

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

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

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

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

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

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

#### *Effective in 2018*

- PFRS 9, *Financial Instruments* – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version). PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA. The adoption of PFRS 9 is not expected to have any significant impact on the Group’s consolidated financial statements.
- PFRS 9, *Financial Instruments* (2014 or final version). In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The adoption of PFRS 9 is not expected to have any significant impact on the Group’s consolidated financial statements.
- IFRS 15 Revenue from Contracts with Customers. IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that

reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

#### *Deferred Effectivity*

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *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 International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The Group expects that this standard will have no impact on the Group's financial position and 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, 2015 and December 31, 2014. The Group has no financial liability at FVPL as of March 31, 2015 and December 31, 2014.

#### 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 (excluding advances to officers and employees), restricted cash and security deposit are classified as loans and receivables.

#### 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, 2015 and December 31, 2014.

#### 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 financial assets as of March 31, 2015 and December 31, 2014.

#### *Other financial liabilities*

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. 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 as of March 31, 2015 and December 31, 2014.

#### *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 are 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 construction 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 construction of the Project.

#### Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the first-in, first-out and moving average methods. Net realizable value is based on estimated selling prices less estimated costs to be incurred on completion and disposal. Net realizable value of operating and other supplies is the current replacement cost.

#### Prepayments

Prepayments are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months or within the normal operating cycle.

#### Advances to Suppliers

Advances to suppliers primarily represent advance payments made to a service provider for the Group's aircraft operation and management.

#### Creditable Withholding Taxes (CWT)

CWT represents the amount of tax withheld by counterparties from the Group. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is presented under the "Prepayments and other current assets" account in the consolidated statement of financial position. CWT is stated at its estimated NRV.

#### 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 property and equipment 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.

#### 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 whichever is shorter:

|                                    |                                             |
|------------------------------------|---------------------------------------------|
| Building and improvements          | 20 years                                    |
| Machineries                        | 10 years                                    |
| Land improvements                  | 10 years                                    |
| Gaming equipment                   | 5 years                                     |
| Office furniture and fixtures      | 5 years                                     |
| Transportation equipment           | 5 years                                     |
| Leasehold improvements             | 3 years or lease term, whichever is shorter |
| Office and communication equipment | 5 years                                     |

Property and equipment includes costs incurred in the construction of the hotel and casino entertainment complex classified under "Construction in Progress". These include costs of construction, equipment and other direct costs such as borrowing cost. Upon completion, these costs will be amortized over the life of BRHI's license with PAGCOR or life of the asset, whichever is shorter. During the period of construction, construction in progress is tested for impairment.

#### Operating Equipment

Operating equipment (shown as part of "Other noncurrent assets" account) 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 and are amortized over two to three years.

#### 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 2012, in connection with the issuance of capital stock such as taxes and legal fees. The account also includes the effect of the reverse acquisition.

Treasury shares are the Parent Company's own equity instruments which are reacquired and are recognized at cost and presented as reduction in equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, reissuance or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration upon reissuance or cancellation of shares is recognized as additional paid-in capital.

Retained earnings represents the Group's cumulative net earnings, net of dividends declared.

#### Share-based Payment Plan

Certain qualified officers and employees of the Parent Company and subsidiaries receive remuneration for their services in the form of equity shares of the Parent Company ("equity-settled transactions").

The cost of equity-settled transactions with officers and employees is measured by reference to the fair value of the stock at the date on which these are granted.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

#### 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:

#### *Gaming revenue*

Gaming revenue is measured by the aggregate net difference between gaming wins and

losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in customers' possession. Revenues are recognized net of certain sales incentives. Accordingly, the Group's gaming revenues are reduced by discounts, rebates paid through the gaming promoters, progressive jackpot liabilities and points earned in customer loyalty programs totaling to ₱2,119.5 million and ₱1,551.8 million for the three months ended March 31, 2015 and 2014, respectively.

*Hotel, food and beverage, retail and other operating revenues*

Hotel, food and beverage, retail and other operating revenues are recognized when services are performed or the retail goods are sold. Deposits received from customers in advance on rooms or other services are recorded as liabilities until services are provided to the customers.

The retail value of accommodation, food and beverage, and other services furnished to guests without charge is excluded from total operating revenues in the accompanying consolidated statement of comprehensive income. The amounts of such promotional allowances excluded from total operating revenues for the three months ended March 31, 2015 and 2014 are as follows:

|                          | <b>March 31,<br/>2015</b> | March 31,<br>2014 |
|--------------------------|---------------------------|-------------------|
|                          | <b>(Three Months)</b>     | (Three Months)    |
| Hotel, food and beverage | <b>₱423,157,691</b>       | ₱210,216,079      |
| Retail and others        | <b>37,509,526</b>         | 21,460,335        |
|                          | <b>₱460,667,217</b>       | ₱231,676,414      |

Retail and other revenue includes sale of various merchandise, communication and transportation services to Solaire guests and players.

*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.

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.

Retirement expense

The Group has an unfunded, non-contributory defined benefit plan covering all of its regular employees. Retirement costs are determined based on the provisions of Republic Act No. 7641, "Retirement Pay Law." The retirement benefit is computed as 50% of basic monthly salary plus one-twelfth of the 13th month pay for every year of service and the cash equivalent of not more than five (5) days service incentive leaves.

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 arrangement is, 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 capitalized in the consolidated statement of financial position (in case of leases directly related to construction) 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/payable to the taxation authority is included as part of the “Prepayments and other current assets” and “Payables and other current liabilities” accounts in the consolidated statement of financial position.

#### *Gaming Taxes*

Being a PAGCOR licensee, BRHI is required to pay license fees on its gross gaming revenues on a monthly basis starting from the date the casino commences operations. These license fees are reported as part of “Taxes and licenses” account under “Operating costs and expenses” in the consolidated statement of comprehensive income.

#### *Contingencies*

Contingent liabilities are not recognized in the unaudited condensed 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 unaudited condensed consolidated financial statements but are disclosed in the notes to unaudited condensed 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 unaudited condensed consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to unaudited condensed consolidated financial statements when material.

#### *Earnings (Loss) Per Share*

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

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

Diluted earnings (loss) per share is computed in the same manner, adjusted for the effect of the shares issuable to qualified officers and employees under the Parent Company’s stock incentive plan which are assumed to be exercised at the date of grant. Where the effect of the vesting of stock under the stock incentive plan is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

#### *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 operates in one geographical area where it derives its revenue.

### **Management's Use of Judgments, Estimates and Assumptions**

The preparation of the unaudited condensed 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 unaudited condensed consolidated financial statements.

*Contingencies.* On April 13, 2013, the BIR issued RMC No. 33-2013, which may affect the tax exemption of BRHI. On June 4, 2014, BRHI filed a petition with the Supreme Court to annul the provision of RMC No. 33-2013, which subjects PAGCOR licensees to corporate income tax. Also, the Group terminated the agreement with Global Gaming Philippines LLC (GGAM) because of material breach by the latter. The Group's estimate of the probable cost for the implication of these matters has been developed in consultation with its legal counsels and is based upon an analysis of potential results. Management and its legal counsels do not believe these will have a material adverse effect on its financial position or performance. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to this matter.

*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.

#### 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.

Management evaluates provision for doubtful accounts based on a specific review of customer accounts as well as experience with collection trends in the casino industry and current economic and business conditions. As customer payment experience evolves, management will continue to refine the estimated provision for doubtful accounts. Accordingly, the associated doubtful accounts expense charge may fluctuate. Because individual customer account balances can be significant, the provision and the expense can change significantly between periods, as information about a certain customer becomes known or as changes in a region's economy or legal systems occur.

Provision for doubtful accounts for the three months ended March 31, 2015 and 2014 amounted to ₱785.8 million and ₱79.9 million, respectively. The carrying amount of receivables amounted to ₱3,088.7 million and ₱4,087.7 million as of March 31, 2015 and December 31, 2014, respectively.

*Net Realizable Value of Inventories.* The Group writes down the cost of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The lower of cost and net realizable value of inventories is reviewed on a monthly basis to reflect the accurate valuation in the financial records. Inventories and supplies identified to be obsolete and unusable are also written off and charged as expense for the period.

There were no provision for inventory obsolescence for the three months ended March 31, 2015 and 2014. Inventories at cost amounted to ₱203.1 million ₱183.0 million as of March 31, 2015 and December 31, 2014, respectively.

*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 the previously estimated useful lives.

The aggregate net book value of the Group's property and equipment (excluding construction in progress) amounted to ₱39,423.4 million and ₱38,596.2 million as of March 31, 2015 and December 31, 2014, respectively.

*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.

Amortization for the three months ended March 31, 2015 and 2014 amounted to ₱43.2 million and ₱55.6 million, respectively. The carrying value of the Group's operating equipment amounted to ₱385.0 million and ₱337.3 million as of March 31, 2015 and December 31, 2014, respectively.

**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 three months ended March 31, 2015, and 2014.

The carrying values of nonfinancial assets subject to impairment review are as follows:

|                         | <b>March 31,<br/>2015</b><br><i>(Unaudited)</i> | <b>December 31,<br/>2014</b><br><i>(Audited)</i> |
|-------------------------|-------------------------------------------------|--------------------------------------------------|
| Property and equipment  | <b>₱45,013,080,524</b>                          | ₱40,470,608,091                                  |
| Advances to contractors | <b>249,152,406</b>                              | 276,797,821                                      |
| Operating equipment*    | <b>385,022,623</b>                              | 337,249,747                                      |
|                         | <b>₱45,647,255,553</b>                          | ₱41,084,655,659                                  |

\*Presented as part of "Other noncurrent assets" account.

**Recognition of Gaming Promoters' Expense.** The Group pays the gaming promoters, who introduce VIP players to Solaire, a percentage of the gross gaming win generated by each gaming promoter. Approximately 80% of the amount paid to gaming promoters are netted against casino revenues, because such approximates the amount of rebates returned to the VIP players through the gaming promoters, which will be used by the players to purchase additional chips and will eventually form part of the casino revenue, and approximately 20% are included in operating expenses, which approximate the amount ultimately retained by the gaming promoters for their compensation.

Gaming promoters' expense which was netted against revenue and the amount presented as part of "Advertising and promotions" account under operating costs and expenses amounted to ₱1,256.9 million and ₱314.2 million, respectively, for the three months ended March 31, 2015 and ₱933.2 million and ₱233.3 million, respectively, for the three months ended March 31, 2014.

**Determining Retirement Benefits.** The determination of the Group's obligation and cost

for retirement benefits is dependent on the selection of certain assumptions used by the Group's actuaries in calculating such amounts. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement liabilities.

Retirement benefits obligation amounted to ₱143.5 million and ₱131.5 million as of March 31, 2015 and December 31, 2014, respectively.

*Recognition of Deferred Tax Assets and Liabilities.* The Group reviews the carrying amounts at the end of each reporting period and reduced the deferred tax assets 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.

Despite the recent ruling Revenue Memorandum Circular (RMC) No. 33-2013 issued by the Bureau of Internal Revenue (BIR), clarifying that PAGCOR and its contractees and licensees are subject to 30% RCIT on their gaming and non-gaming revenues, management still 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 (2) (b) of Presidential Decree No. 1869.

The Group recognized deferred tax assets amounting to ₱64.3 million as of March 31, 2015. The Group's temporary differences, for which no deferred tax assets/liabilities have been recognized amounted to ₱6,220.7 million as of March 31, 2015, resulting from (a) Sureste's position that it will not have any taxable profits in the future in which it could utilize its deferred tax assets and (b) BRHI's position that it is exempt from income tax.

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### 3. Cash and Cash Equivalents

This account consists of:

|                            | <b>March 31,<br/>2015</b> | December 31,<br>2014 |
|----------------------------|---------------------------|----------------------|
|                            | <i>(Unaudited)</i>        | <i>(Audited)</i>     |
| Cash on hand               | <b>₱2,307,351,096</b>     | ₱2,244,540,382       |
| Cash in banks              | <b>7,603,688,395</b>      | 10,532,314,775       |
| Temporary cash investments | <b>7,358,252,149</b>      | 1,157,048,545        |
| Debt collateral accounts   | <b>875,736,432</b>        | 813,900,479          |
|                            | <b>₱18,145,028,072</b>    | ₱14,747,804,181      |

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 funds allocated for the construction 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.

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 construction of the 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\$50.0 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.

#### 5. Receivables

This account consists of:

|                                      | <b>March 31,<br/>2015</b><br><i>(Unaudited)</i> | <b>December 31,<br/>2014</b><br><i>(Audited)</i> |
|--------------------------------------|-------------------------------------------------|--------------------------------------------------|
| Casino                               | <b>₱4,499,418,465</b>                           | ₱4,757,052,471                                   |
| Hotel                                | <b>66,899,742</b>                               | 63,605,452                                       |
| Advances to officers and employees   | <b>53,269,223</b>                               | 39,638,998                                       |
| Others                               | <b>61,171,956</b>                               | 16,503,726                                       |
|                                      | <b>4,680,759,386</b>                            | 4,876,800,647                                    |
| Less allowance for doubtful accounts | <b>1,592,083,276</b>                            | 789,077,029                                      |
|                                      | <b>₱3,088,676,110</b>                           | ₱4,087,723,618                                   |

Casino receivables mainly include casino markers issued to fixed room junket operators and VIP premium casino players. Casino markers pertain to credits granted to registered casino players. These markers are noninterest bearing and are normally collected within 90 days.

Hotel receivables pertain to various food, beverage, and hotel service fees receivable from hotel occupants, which are collected upon checkout. This also includes credit card transactions, which are normally collected within one month.

Advances to officers and employees are normally settled within one month through salary deduction or liquidation.

Accrued interest, presented as part of "Others", pertains to interest from temporary cash investments and restricted cash account, which are normally received within one year.

Allowance for doubtful accounts pertain to casino markers that the Group assessed as doubtful on an individual and collective basis.

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## **6. Property and Equipment and Advances to Contractors**

Construction in progress represents costs incurred in the development of Solaire. 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, 2015 and December 31, 2014, property and equipment includes construction in progress pertaining to the costs related to the construction of the Sky Tower. Construction in progress related to Bay Tower has been reclassified to the related property and equipment upon its completion in March 2013 and the construction in progress relating to the completed portion of Sky Tower were reclassified in November 2014.

Borrowing costs on specific borrowings capitalized as part of "Property and equipment". Lease on the land of PAGCOR are capitalized as part of "Property and equipment" during the construction period.

Under BRHI's Provisional License with PAGCOR, BRHI has committed to invest at least US\$1.0 billion in the Project. 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 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. BRHI has complied with this US\$400.0 million initial investment requirement, as well as the US\$1.0 billion total investment requirement for the project.

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 construction of hotel and gaming facility of Solaire. This is shown separately in the Group's statements of financial position. As of March 31, 2015 and December 31, 2014, advances to contractors primarily pertain to advance payments for construction costs related to the remaining uncompleted area of the Sky Tower.

There were no major disposals or write-downs of property and equipment for the three months ended March 31, 2015. Additions for the period amounted to ₱1,784.8 million

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## **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 kitchenwares, 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, dividends 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".

Withholding tax payable and other payables are normally settled within one year.

## 9. Long-term Debt

This account consists of:

|                                        | <b>March 31,<br/>2015</b><br><i>(Unaudited)</i> | <b>December 31,<br/>2014</b><br><i>(Audited)</i> |
|----------------------------------------|-------------------------------------------------|--------------------------------------------------|
| Principal:                             |                                                 |                                                  |
| Original facility                      | <b>₱13,137,450,000</b>                          | ₱13,517,150,000                                  |
| Expansion facility                     | <b>11,063,762,840</b>                           | 8,063,762,840                                    |
| Corporate notes                        | <b>11,425,000,000</b>                           | 11,425,000,000                                   |
|                                        | <b>35,626,212,840</b>                           | 33,005,912,840                                   |
| Less unamortized debt discount         | <b>429,013,372</b>                              | 397,661,600                                      |
|                                        | <b>35,197,199,468</b>                           | 32,608,251,240                                   |
| Less current portion of long-term debt | <b>2,185,368,446</b>                            | 1,994,033,232                                    |
|                                        | <b>₱33,011,831,023</b>                          | ₱30,614,218,008                                  |

Future repayment of the principal follows:

|                                             | <b>March 31,<br/>2015</b><br><i>(Unaudited)</i> | <b>December 31,<br/>2014</b><br><i>(Audited)</i> |
|---------------------------------------------|-------------------------------------------------|--------------------------------------------------|
| Within one year                             | <b>₱2,224,550,000</b>                           | ₱2,034,050,000                                   |
| After one year but not more than five years | <b>17,550,524,489</b>                           | 15,803,704,209                                   |
| Beyond five years                           | <b>15,851,138,351</b>                           | 15,168,158,631                                   |
|                                             | <b>₱35,626,212,840</b>                          | ₱33,005,912,840                                  |

### a. Original Facility

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 ("Original Facility") 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. 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.

The Original Facility is payable over seven years in 16 consecutive quarterly installments on each repayment date commencing on the 39<sup>th</sup> 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 March 31, 2015 and December 31, 2014, this facility has been fully drawn. Loan principal amounting to ₱379.7 million was paid in the first quarter of 2015. Outstanding long-term debt, net of unamortized debt discount, as of March 31, 2015 and December 31, 2014 amounted to ₱13,055.4 million and ₱13,425.7 million, respectively.

The Original Facility provides that Sureste/BRHI is permitted to make optional prepayments anytime until maturity. Upon prepayment, 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, the value of the prepayment option is not material. Upon additional drawdowns in 2012 and 2013, the option was bifurcated at each drawdown date of the loan, resulting to a value of the bifurcated prepayment option of ₱37.9 million and ₱83.5 million which were offset against additions to capitalized debt issue costs in 2013 and 2012, respectively.

b. Expansion Facility

In March 2013, the Group executed a second amendment to the loan agreement to provide for an additional ₱14.3 billion loan facility ("Expansion Facility") with BDO Unibank Inc., China Banking Corp., and Philippine National Bank as expansion lenders.

The Expansion Facility of ₱14.3 billion 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 2% over the 30-day BSP reverse purchase agreement rate, unless a substitute benchmark rate has been requested 20 banking days prior to an interest payment date.

Similar with the original facility, 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 March 31, 2015 and December 31, 2014, the amount drawn under these facilities amounted to ₱11.1 billion and ₱8.1 billion, respectively. Outstanding long-term debt, net of unamortized debt discount, as of March 31, 2015 and December 31, 2014, amounted to ₱10,791.2 million and ₱7,834.6 million, respectively.

The Expansion Facility provides that Sureste/BRHI is permitted to make optional prepayments anytime until maturity, but without penalty.

The embedded prepayment option on the Expansion Facility was assessed as clearly and closely related to the loan, thus, not for bifurcation.

c. Corporate Notes

On February 10, 2014, the Group issued ₱11.425 billion unsecured corporate notes ("Corporate Notes") to fund Phase 1A of Solaire. Sureste and BRHI signed a corporate notes facility agreement with BDO Unibank Inc., BDO Leasing and Finance Inc., BDO Private Bank Inc., China Banking Corp., Robinsons Bank Corp. and United Coconut Planters Bank. BRHI served as an issuer, Sureste as surety and BDO Capital & Investment Corp. as the lead arranger and sole bookrunner for the facility.

The Corporate Notes of ₱11.425 billion is payable over seven years in 8 consecutive semi-annual installments on each repayment date commencing on the 36th month from the initial drawdown date while the interest on the unpaid principal amount shall be paid in semi-annual payments from the initial drawdown date. The Corporate Notes bears a fixed interest rate of 6.75% per annum.

The outstanding balance of the Corporate Notes, net of unamortized debt discount, as of March 31, 2015 and December 31, 2014 amounted to ₱11,350.5 million and ₱11,348.0 million, respectively.

The Corporate Notes provide that BRHI is permitted to make optional prepayments anytime until maturity. Upon prepayment, BRHI shall pay the principal, accrued interest and penalty based on the amount prepaid in the following percentages: (i) 0.5% from the first to third anniversary; (ii) 0.25% after the third anniversary to the fifth anniversary; and (iii) no prepayment penalty after the fifth anniversary.

The embedded prepayment option on the Corporate Notes was assessed as clearly and closely related to the loan, thus, not for bifurcation.

All legal and professional fees, including commitment fee, incurred in relation to the loans were capitalized. Debt issue costs were amortized using EIR method.

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 original and expansion facilities 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.

The Corporate Notes require BRHI to comply with the debt service coverage agreement incurrence ratio of at least 1.2 times and debt-to-equity incurrence ratio of maximum of 2.33 times, on each testing date.

As of March 31, 2015 and December 31, 2014, Sureste and BRHI are in compliance with these debt covenants.

#### Collateral

Under the original and expansion facilities, 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 8), 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 March 31, 2015 and December 31, 2014, the Group's debt collateral accounts balances are as follows:

|                              | <b>March 31,<br/>2015</b><br><i>(Unaudited)</i> | <b>December 31,<br/>2014</b><br><i>(Audited)</i> |
|------------------------------|-------------------------------------------------|--------------------------------------------------|
| Debt service reserve account | <b>₱796,322,011</b>                             | ₱764,723,025                                     |
| Debt service payment account | <b>79,414,422</b>                               | 49,177,454                                       |
|                              | <b>₱875,736,433</b>                             | ₱813,900,479                                     |

(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 18), 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.

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## 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.

The Group has a contractual arrangement with a related party for the use of aircrafts. Other related party transactions include, contribution to Bloomberry Cultural Foundation, advances to officers and employees and short-term and long-term employee benefits to key management officers.

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## 11. Equity

### Capital Stock

Capital stock consists of:

|                              | March 31, 2015 (Unaudited) |                 | December 31, 2014 (Audited) |                 |
|------------------------------|----------------------------|-----------------|-----------------------------|-----------------|
|                              | Shares                     | Amount          | Shares                      | Amount          |
| Capital Stock - ₱1 par value |                            |                 |                             |                 |
| Authorized                   | 15,000,000,000             | ₱15,000,000,000 | 15,000,000,000              | ₱15,000,000,000 |
| Issued                       | 11,032,998,225             | 11,032,998,225  | 11,032,998,225              | 11,032,998,225  |
| Issued and outstanding       | 11,026,851,506             | 10,955,549,566  | 11,026,851,506              | 10,955,549,566  |

The movement in issued capital stock follows:

|                              | March 31, 2015 (Unaudited) |                 | December 31, 2014 (Audited) |                 |
|------------------------------|----------------------------|-----------------|-----------------------------|-----------------|
|                              | Shares                     | Amount          | Shares                      | Amount          |
| Balance at beginning of year | 11,032,998,225             | ₱11,032,998,225 | 10,589,800,556              | ₱10,589,800,556 |
| Subscription and issuance    | —                          | —               | 443,197,669                 | 443,197,669     |
| Balance at end of year       | 11,032,998,225             | ₱11,032,998,225 | 11,032,998,225              | ₱11,032,998,225 |

On February 6, 2012, the stockholders of the Parent Company approved the increase in its authorized capital stock from ₱120.0 million divided into 120.0 million shares to ₱15,000.0 million divided into 15,000.0 million 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 million 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 2, 2012, PMHI offered and sold (the "Offer") 1,179,963,700 of its existing Bloomberry 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 Bloomberg 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 ₱8,024.8 million. Transaction costs incurred relative to issuance of shares in 2012, amounting to ₱76.4 million, 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 Bloomberg shares from the market. Consequently, on December 28, 2012, GGAM exercised its option to acquire 921,184,056 shares of Bloomberg from PMHI.

On November 10, 2014, Bloomberg and its parent company, PMHI, completed a Placing and Subscription Transaction under which PMHI first sold in a private placement to various institutional investors 435,000,000 shares of stock in Bloomberg at ₱13.00 per share. The net proceeds of the private placement were used by PMHI to subscribe to the equivalent number of new shares in Bloomberg at the same subscription price of ₱13.00 per share. Additional paid-in capital arising from said transaction amounted to ₱5,128.4 million and transaction costs incurred relative to the issuance of shares, amounting to ₱4.4 million, were charged against the additional paid-in capital.

#### Stock Incentive Plan

The Stockholders of the Parent Company approved on June 25, 2012 a Stock Incentive Plan (SIP) for directors, officers, and employees of the Group, effective for a period of ten years unless extended by the BOD. The Participants to the SIP are: permanent and regular employees of the Group or its affiliates with at least one year tenure; officers and directors of the Group; officers and directors of affiliates of the Group; and other persons who have contributed to the success and profitability of the Group or its affiliates.

The SIP shall be administered by the Stock Incentive Committee (SIC) composed of three directors or officers to be appointed by the BOD. The SIC shall determine the number of shares to be granted to a participant and other terms and conditions of the grant.

Unissued shares from the authorized capital stock or treasury shares, which together with shares already granted under the SIP, are equivalent to seven percent (7%) of the resulting total outstanding shares of the Parent Company shall be allocated for the SIP.

The grant of shares under the SIP does not require an exercise price to be paid by the awardee. The shares awarded shall vest in two years: 50% on the first anniversary date of the award; and the other 50% on the second anniversary date of the award. Vesting grants the participant absolute beneficial title and rights over the shares, including full dividend and voting rights.

Stock awards granted by the SIC to officers and employees of the Group are shown below:

| Grant Date        | Number of Shares<br>Granted | Fair Value per<br>Share at Grant Date |
|-------------------|-----------------------------|---------------------------------------|
| October 1, 2013   | 5,792,700                   | ₱10.02                                |
| July 1, 2014      | 4,318,589                   | 10.84                                 |
| October 27, 2014* | 4,486,000                   | 14.98                                 |

\*50 percent of the total granted shares has a 3-year vesting period.

Fair value per share was based on the market price of stock at the date of grant.

Movements in the stock awards granted (number of shares) in 2015 and 2014 follow:

|                                               | <b>March 31,<br/>2015</b><br>(Unaudited) | December 31,<br>2014<br>(Audited) |
|-----------------------------------------------|------------------------------------------|-----------------------------------|
| Balance at beginning of period                | <b>10,855,539</b>                        | 5,792,700                         |
| Stock awards granted                          | —                                        | 8,804,589                         |
| Stock awards vested                           | —                                        | (2,050,950)                       |
| Stock awards of resigned/terminated employees | —                                        | (1,690,800)                       |
| Balance at end of period                      | <b>10,853,493</b>                        | 10,855,539                        |

Total compensation expense on the stock awards recognized in 2015 and 2014 as part of “Salaries and benefits” under “Operating costs and expenses” in the unaudited consolidated statements of comprehensive income amounted to ₱22.8 million and ₱10.9 million, respectively. The stock incentive obligation recognized as “Share-based payment plan” in the unaudited consolidated statements of financial position amounted to ₱60.8 million and ₱38.0 million as of March 31, 2015 and December 31, 2014 respectively.

#### Treasury Shares

The movement in treasury shares in 2015 follows:

|                                   | Shares    | Amount      |
|-----------------------------------|-----------|-------------|
| Balance at beginning of period    | 6,146,719 | ₱77,448,659 |
| Issuance for share-based payments | —         | —           |
| Balance at end of period          | 6,146,719 | ₱77,448,659 |

On October 1, 2014, 2,050,950 shares in the Company vested in favor of several participants under the SIP, as previously discussed. An additional 6,146,719 shares will vest to several participants in 2015 (collectively the “SIP Shares”). On December 18, 2014, the board of directors of the Company and PMHI approved the borrowing of shares from PMHI to be transferred to the participants whose SIP shares have vested, and to AB Capital and Investment Corp. Trust & Investment Department with respect to the SIP shares that will vest in 2015, and the subscription by PMHI to new shares to replace the borrowed shares. The transfer by PMHI of shares equivalent to the SIP Shares to said participants was at a sale price of ₱12.60 per share (which was the market price of the shares when the SIP shares were crossed) and the issuance by the Company of shares equivalent to the SIP Shares at a subscription price of ₱12.60 per share to PMHI in

replacement of the shares transferred by PMHI to the said participants. Additional paid-in capital arising from this transaction amounted to ₱95.1 million.

The shareholders of the Parent Company as of March 31, 2015 and December 31, 2014 are as follows:

|                                | Percentage of Ownership          |                                   |
|--------------------------------|----------------------------------|-----------------------------------|
|                                | March 31,<br>2015<br>(Unaudited) | December 31,<br>2014<br>(Audited) |
| Shareholders                   |                                  |                                   |
| PMHI (see Note 1)              | 58.08%                           | 58.08%                            |
| Quasar Holdings, Inc.          | 8.35%                            | 8.35%                             |
| Falcon Investco Holdings, Inc. | 2.04%                            | 2.04%                             |
| Directors and officers         | 0.52%                            | 0.52%                             |
| Public                         | 31.01%                           | 31.01%                            |
| Total                          | 100.00%                          | 100.00%                           |

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

| Date of Approval      | Number of Shares |                       | Issue/<br>Offer Price |
|-----------------------|------------------|-----------------------|-----------------------|
|                       | Authorized       | Issued/<br>Subscribed |                       |
| May 3, 1999*          | 120,000,000      | 80,000,000            | ₱1.00                 |
| February 27, 2012**   | 15,000,000,000   | 9,211,840,556         | 1.00                  |
| May 2, 2012***        | 15,000,000,000   | 1,179,963,700         | 7.50                  |
| May 31, 2012***       | 15,000,000,000   | 117,996,300           | 7.50                  |
| November 10, 2014**** | 15,000,000,000   | 435,000,000           | 13.00                 |
| December 18, 2014**** | 15,000,000,000   | 8,197,669             | 12.60                 |

\*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 2, 2012

\*\*\*Transaction date per SEC Form 23-B; Includes Offer Shares and Over-Allotment Option

\*\*\*\*Transaction date per SEC Form 17-C

As of March 31, 2015 and December 31, 2014 and 2013, Bloomberry has total shareholders of 81 and 79, 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). As of March 31, 2015 and December 31, 2014, 1,364,381,725 shares are not yet listed in the stock exchange.

## 12. Costs and Expenses

This account consists of:

|                                       | March 31,<br>2015<br>(Three Months) | March 31,<br>2014<br>(Three Months) |
|---------------------------------------|-------------------------------------|-------------------------------------|
| Operating costs and expenses          | ₱5,752,873,876                      | ₱4,354,992,324                      |
| Interest expense                      | 426,783,606                         | 64,651,502                          |
| Foreign exchange losses (gains) - net | 23,475,887                          | (54,429,822)                        |
| Mark-to-market loss                   | 3,480,614                           | 5,187,726                           |
|                                       | ₱6,206,613,983                      | ₱4,370,401,730                      |

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### 13. 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 18<sup>th</sup> year of the lease period.

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. In 2013, an addendum to the contract of lease covering an additional 3,733 square meters of PAGCOR land, was executed. In December 2014, a second addendum to the contract of lease covering an additional 73,542 square meters of PAGCOR land was also executed.

Rent expense related to this lease, capitalized as part of "Property and equipment" amounted to ₱580.5 million and ₱578.4 million as of March 31, 2015 and December 31, 2014, respectively. Rent expense amounting to ₱162.3 million and ₱124.6 million was recognized as part of "Rent expense" account under operating costs and expenses in the three months ended March 31, 2015 and 2014 consolidated statement of comprehensive income.

Future minimum lease payments under this operating lease with PAGCOR follow:

|                                               | <b>March 31,<br/>2015</b><br>(Unaudited) | December 31,<br>2014<br>(Audited) |
|-----------------------------------------------|------------------------------------------|-----------------------------------|
| Within one year                               | <b>₱531,811,380</b>                      | ₱531,811,380                      |
| Beyond one year but not later than five years | <b>2,004,379,836</b>                     | 2,004,379,836                     |
| Beyond five years                             | <b>5,753,853,803</b>                     | 5,753,853,803                     |
|                                               | <b>₱8,290,045,019</b>                    | ₱8,290,045,019                    |

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.

Future minimum lease payments under the above other operating leases follow:

|                                               | <b>March 31,<br/>2015</b><br>(Unaudited) | December 31,<br>2014<br>(Audited) |
|-----------------------------------------------|------------------------------------------|-----------------------------------|
| Within one year                               | <b>₱7,330,761</b>                        | ₱20,267,397                       |
| Beyond one year but not later than five years | —                                        | —                                 |
|                                               | <b>₱7,330,761</b>                        | ₱20,267,397                       |

Rental charges related to these leases, presented as part of "Rent expense" account under operating costs and expenses in the consolidated statements of comprehensive income for the three months ended March 31, 2015 and 2014 amounted to ₱132.9 million and ₱54.2 million, respectively.

Advance rental and security deposits related to the leases discussed above amounted to ₱258.3 million and ₱390.0 million as of March 31, 2015 and December 31, 2014, respectively.

#### 14. Commitments and Contingencies

- 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% of the gross gaming revenues generated by high roller tables; (b) 25% of the gross gaming revenues generated by non-high roller tables; (c) 25% of the gross

gaming revenues generated by slot machines and electronic gaming machines; and (d) 15% of the gross gaming revenues generated by junket operation. PAGCOR agreed to the temporary reduction of these license fees effective April 1, 2014 to 5% (from 15%) and 15% (from 25%) on application by BRHI and other licensees during the pendency of the resolution of the issue on the validity of BIR's imposition of income tax on PAGCOR's licensees under RMC 13-2013. This issue is now pending in the Supreme Court following BRHI's petition against the BIR. The parties agree to revert to the original license fee structure under the Provisional License in the event the BIR action to collect income tax from PAGCOR licensees is permanently restrained, corrected or withdrawn by order of the BIR or the courts or under a new law. The license fees are inclusive of the 5% franchise tax under the PAGCOR Charter.

- 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. (BCF) for this purpose. Amount due to BCF, recognized as part of "Taxes and licenses" account for the three months ended March 31, 2015 and 2014, amounted to ₱59.7 million and ₱77.2 million, respectively. Outstanding amount payable to BCF as of March 31, 2015 and December 31, 2014, presented as part of "Gaming taxes payable", amounted to ₱24.6 million and ₱27.6 million, respectively. Furthermore, the Group has made advances to BCF amounting to ₱26.0 million and ₱25.9 million as of March 31, 2015 and December 31, 2014, respectively, presented as part of "Others" under "Prepayments and other current assets" account in the consolidated statements of financial position.
- 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 March 31, 2015 and December 31, 2014, BRHI has complied with the required debt-to-equity ratio.

Total PAGCOR license fee recognized, shown as part of "Taxes and licenses" account, amounted to ₱1,006.4 million and ₱1,521.8 million for the three months ended March 31, 2015 and 2014, respectively. Outstanding amount payable to PAGCOR and BCF, presented as part of "Gaming taxes payable", amounted to ₱403.2 million and ₱325.9 million as of March 31, 2015 and December 31, 2014, respectively.

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

*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. DMCI was also involved in the construction of the Sky Tower with a contract price of ₱2.3 billion in addition to variable fees based on agreed rates for additional services performed.

*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.

*KNA Design*

The Group has engaged KNA Design, a Los Angeles-based interior design firm, to provide interior design for the hotel component of Sky Tower, for a fixed fee of US\$1.3 million.

*TPM*

The Group entered into a project management consultancy contract with TPM, one of Asia's leading construction project management consultancies focused on gaming anchored hospitality development projects, for a fixed fee of US\$2.4 million and staff cost reimbursement of US\$9.3 million.

- c. BRHI entered into junket operator agreements with junket operators who have the primary responsibility of directing gaming patrons to the casino. Based on these agreements, these junket operators are compensated based on a certain percentage of the wins or rolling chips. Gaming promoters expense for the three months ended March 31, 2015 and 2014 amounted to ₱1,571.2 million and ₱1,166.5 million, respectively. Receivable from junket operators as of March 31, 2015 and December 31, 2014 amounted to ₱2,500.5 million and ₱3,099.7 million, respectively.
- d. 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.

The Group terminated the MSA effective September 12, 2013 because of material breach of the MSA by GGAM after prior notice and failure of discussions to settle their dispute. Accordingly, the Group has accrued annual fees due to GGAM up to September 12, 2013 only. GGAM has sent a notice of arbitration in accordance with the arbitration clause of the MSA. GGAM denies having breached the MSA and alleges that it is BRHI and Sureste who breached the MSA. BRHI and Sureste have submitted their response to the notice of arbitration. The 3-member arbitral tribunal has been duly constituted and now hears the dispute in Singapore under the arbitration rules of the United Nations Commission on International Trade Law

(UNCITRAL) using Philippine law as the governing law.

Under the MSA, GGAM was granted the option, from the date of execution of the MSA, to purchase up to 921.2 million 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. In December 2012, GGAM exercised its option to acquire 921.2 million shares of Bloomberry from PMHI. On February 25, 2014, the Makati Regional Trial Court (MRTC) granted the Group's application for measures of protection in the form of writs of preliminary attachment and preliminary injunction to restrain GGAM from disposing the Bloomberry shares, and so the judgment that the arbitral tribunal may award in favor of the Group can be enforced against the Bloomberry shares. GGAM has filed a petition for review on certiorari with the Court of Appeals against the decision of the MRTC.

On April 14, 2014, GGAM file a Request for Interim Measures of Protection with the arbitral tribunal asking among others, that: (a) the parties be restored to status quo ante as of January 15, 2014; (b) GGAM be permitted to sell all of the shares pending the final award by the arbitral tribunal; and (c) BRHI and SPI and their affiliates be enjoined from taking any actions that would interfere with or prevent any sale of the shares. On December 9, 2014, the tribunal issued its Order in Respect of Claimants' Interim Measures of Protection, declaring among others, that the February 25 Order of MRTC is superseded and that parties are restored to their status quo ante as of January 15, 2014 and allowed GGAM to sell the shares. However, the arbitral tribunal expressly denied the request of GGAM to be declared full legal and beneficial owner of the shares, free of any claims, liens or encumbrances by BRHI, SPI and PMHI, and denied the request of GGAM to enjoin BRHI, SPI and PMHI and their affiliates from taking any action that would interfere with or prevent any sale of the shares. The arbitral tribunal emphasizes that it makes no declaration as to the ownership of the shares. The arbitration proceedings on the merits continue to this day.

Following the order of the arbitral tribunal, GGAM filed a Manifestation with the MRTC informing the order of the arbitral tribunal and seeking assistance in the enforcement thereof. BRHI, SPI and PMHI filed a Counter-Manifestation stating among others, the impropriety of the Manifestation given its non-compliance with requirements of the Special Rules of Court and Alternative Dispute Resolution (Special ADR Rules) for enforcement of judgement/interim measures of protection. GGAM also filed a Manifestation and Motion with the Court of Appeals seeking the same relief as that filed with the MRTC. BRHI, SPI and PMHI filed a Comment/Opposition arguing against the grant of the Motion with the Court of Appeals for non-compliance with the Special ADR Rules as well as for forum-shopping. These incidents remain pending with the MRTC and the Court of Appeals

No further details were provided as required under PAS 37, Provisions, Contingent Liabilities and Contingent Assets, because these may prejudice the Group's position in relation to this matter.

- e. 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.

On April 23, 2013, the BIR issued RMC No.33-2013, clarifying that PAGCOR and its contractees and licensees are subject to 30% RCIT on their gaming and non-gaming revenues. Such RMC may affect the tax exemption of BRHI.

Despite this RMC, however, management still believes that the tax benefits granted under the PAGCOR 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.

BRHI, together with other Entertainment City licensees, have filed a request for common administrative relief with PAGCOR from the adverse effect of RMC No. 33-2013. Granting this request, PAGCOR has temporarily reduced the license fees by 10 percentage points effective April 1, 2014 pending the settlement of this issue which is now pending in the Supreme Court in a petition filed by BRHI against the BIR. Consequently, BRHI paid RCIT effective April 1, 2014. The parties agreed to revert to the original license fee structure under the Provisional License in the event the BIR action to collect income tax from PAGCOR is permanently restrained, corrected or withdrawn by order of the BIR or the courts or under a new law.

On June 4, 2014, BRHI filed with the Supreme Court a Petition for Certiorari and Prohibition under Rule 65 of the Rules of Court. The petition seeks to annul the issuance of the Bureau of Internal Revenue of an unlawful governmental regulation, specifically the provision in RMC 33-2013 dated April 17, 2013 subjecting the contractees and licensees of PAGCOR to income tax under the NIRC, as it violates the tax exemption granted to contractees of PAGCOR under Section 13(2)(b) of P.D. 1869. On January 5, 2015, BRHI received the Comment of the BIR dated December 17, 2014. In its Comment, the BIR raised the following defenses: 1) that the issuance of RMC 33-2013 is not tainted with grave abuse of discretion; 2) the remedy of prohibition will not lie to undo an act that is already fait accompli; and 3) tax exemptions are strictly construed against the party seeking exemption. As of March 18, 2015, BRHI is still waiting for the resolution by the Supreme Court of its petition.

However the Supreme Court en banc decision dated December 10, 2014 in PAGCOR v. BIR (G.R. No. 215427), has effectively reversed the legal basis for BIR's issuance of RMC 33-2013. The Supreme Court declared that PAGCOR's tax privilege of paying only the 5% franchise tax in lieu of all other taxes under its charter has not been repealed by RA 9337 (which deleted PAGCOR from the list of tax exempt GOCC's in the National Internal Revenue Code). The Supreme Court ordered the BIR, among others, to cease and desist the implementation of RMC No. 33-2013 imposing corporate income tax on PAGCOR's income derived from its gaming operation. This Supreme Court decision supports BRHI's position in its own petition against the BIR pending before the Supreme Court concerning its tax exemption as a licensee under the PAGCOR Charter.

# 15. Basic/Diluted Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company

The following table presents information necessary to calculate earnings per share:

|                                                                                     | March 31,<br>2015<br>(Three Months) | March 31,<br>2014<br>(Three Months) |
|-------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| (a) Net income (loss) attributable to equity holders of the Parent Company          | (P533,054,445)                      | P1,461,214,471                      |
| (b) Weighted average of issued shares                                               | 11,032,998,225                      | 10,589,800,556                      |
| (c) Weighted average number of treasury shares                                      | (6,146,719)                         | —                                   |
| (d) Weighted average number of shares, net of treasury shares                       | 11,026,851,506                      | 10,589,800,556                      |
| Weighted average of:                                                                |                                     |                                     |
| Unvested stock awards granted on October 1, 2013                                    | 2,050,950                           | —                                   |
| 5,792,700 stock awards granted on October 1, 2013                                   | —                                   | 5,792,700                           |
| 4,318,589 stock awards granted on July 1, 2014                                      | 4,318,589                           | —                                   |
| 4,486,000 stock awards granted on October 27, 2014                                  | 4,486,000                           | —                                   |
| (e) Weighted average stock awards granted                                           | 10,855,539                          | 5,792,700                           |
| (f) Weighted average number of shares, net of treasury shares adjusted for dilution | 11,037,707,045                      | 10,595,593,256                      |
| <b>Earnings (Loss) Per Share</b>                                                    |                                     |                                     |
| Basic (a)/(d)                                                                       | (P0.048)                            | P0.138                              |
| Diluted (a)/(f)                                                                     | (P0.048)                            | P0.138                              |

# 16. Segment Information

The results of the Group's reportable business segment for the three months ended March 31, 2015 and 2014 are as follows:

|                                                  | March 31,<br>2015<br>(Three Months) | March 31,<br>2014<br>(Three Months) |
|--------------------------------------------------|-------------------------------------|-------------------------------------|
| Consolidated EBITDA                              | P1,748,130,899                      | P2,153,855,081                      |
| Depreciation and amortization                    | (1,157,876,070)                     | (679,550,838)                       |
| Interest expense                                 | (426,783,606)                       | (64,651,502)                        |
| Foreign exchange gains (losses) - net            | (23,475,887)                        | 54,429,822                          |
| Mark-to-market loss                              | (3,480,614)                         | (5,187,726)                         |
| Benefit from (provision for) deferred income tax | (669,569,167)                       | 2,319,634                           |
| Consolidated net income (loss)                   | (P533,054,445)                      | P1,461,214,471                      |

The assets and liabilities of the Group's reportable business segment as of March 31, 2015 and December 31, 2014 are as follows:

|                                | <b>March 31,<br/>2015</b><br><i>(Unaudited)</i> | <b>December 31,<br/>2014</b><br><i>(Audited)</i> |
|--------------------------------|-------------------------------------------------|--------------------------------------------------|
| Assets:                        |                                                 |                                                  |
| Segment assets                 | <b>P69,920,347,919</b>                          | P67,678,094,988                                  |
| Deferred tax assets - net      | <b>—</b>                                        | —                                                |
| Total assets                   | <b>P69,920,347,919</b>                          | P67,678,094,988                                  |
| Liabilities:                   |                                                 |                                                  |
| Segment liabilities            | <b>P45,192,035,097</b>                          | P41,887,857,538                                  |
| Deferred tax liabilities - net | <b>109,342,091</b>                              | 111,020,371                                      |
| Segment liabilities            | <b>P45,301,377,188</b>                          | P41,998,877,909                                  |