

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarter ended 30 September 2013
2. SEC Identification Number A1999-04864 3. BIR Tax Identification No. 204-636-102-00
4. Exact name of issuer as specified in its charter BLOOMBERRY RESORTS CORPORATION
5. Philippines
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. Unit 601 6th Floor Ecoplaza Bldg. Chino Roces Avenue Ext. Makati City 2222
Address of principal office Postal Code
8. (02) 501-3898
Issuer's telephone number, including area code
9. Active Alliance Incorporated, Bldg. 1428 POL Pier Compound Argonaut Highway, Subic Bay Freeport Zone
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, P1.00 par value	10,589,800,556 Shares
11. Are any or all of these securities listed on a Stock Exchange.

Yes ☒ No ☐

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange	Common Stock
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12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and [SRC Rule 17.1](#) thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes ☒ No ☐

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes ☒ No ☐

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited consolidated financial statements as of September 30, 2013 and for the three months ended and nine months ended September 30, 2013 and 2012 and the audited consolidated balance sheet as of December 31, 2012 and the related notes to unaudited consolidated financial statements of Bloomberry Resorts Corporation and Subsidiaries (collectively referred to as “the Group”) are filed as part of this Form 17-Q on pages 5 to 41.

There are no other material events subsequent to the end of this interim period that had not been reflected in the unaudited consolidated financial statements filed as part of this report.

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

Interim Condensed Consolidated Financial Statements
September 30, 2013 (Unaudited) and December 31, 2012
and for the Three Months and Nine Months Ended September 30, 2013
and 2012 (Unaudited)

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2013 AND DECEMBER 31, 2012

	September 30, 2013 <i>(Unaudited)</i>	December 31, 2012 <i>(Audited, Note 2)</i>
ASSETS		
Current Assets		
Cash and cash equivalents	P6,629,819,140	P7,836,932,348
Current portion of restricted cash	8,417,321	42,832,595
Receivables – net	1,998,010,945	39,150,605
Inventories	170,285,186	633,396
Prepayments and other current assets	312,285,842	136,407,948
Total Current Assets	9,118,818,434	8,055,956,892
Noncurrent Assets		
Restricted cash - net of current portion	2,283,532,415	2,182,037,610
Advances to contractors	1,219,819,295	3,439,011,003
Project development costs	3,476,387,611	14,715,961,920
Property and equipment	23,332,622,863	175,165,970
Deferred tax assets - net	491,612,209	86,192,911
Other noncurrent assets	631,404,819	141,721,877
Total Noncurrent Assets	31,435,379,212	20,740,091,291
	P40,554,197,646	P28,796,048,183
LIABILITIES AND EQUITY		
Current Liabilities		
Payables and other current liabilities	P7,228,805,715	P3,259,781,507
Current portion long-term debt	697,251,275	–
Total Current Liabilities	7,926,056,990	3,259,781,507
Noncurrent Liabilities		
Long-term debt – net of current portion	15,822,992,064	8,176,106,582
Accrued rent – net of current portion	314,897,659	11,758,247
Retirement liability and other non-current liabilities	22,000,399	11,765,800
Total Noncurrent Liabilities	16,159,890,122	8,199,630,629
Total Liabilities	24,085,947,112	11,459,412,136
Equity		
Capital stock	10,589,800,556	10,589,800,556
Additional paid-in capital	7,948,329,736	7,948,329,736
Equity reserves	(27,138,558)	(27,138,558)
Deficit	(2,042,741,200)	(1,174,355,687)
Total Equity	16,468,250,534	17,336,636,047
	P40,554,197,646	P28,796,048,183

See accompanying Notes to Unaudited Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

(Formerly Active Alliance, Incorporated)

(A Subsidiary of Prime Metroline Holdings, Inc.)

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	FOR THE THREE MONTHS ENDED SEPTEMBER 30		FOR THE NINE MONTHS ENDED SEPTEMBER 30	
	2013 (Note 2)	2012 (Note 2)	2013 (Note 2)	2012 (Note 2)
REVENUES				
Gaming – net	₱3,885,526,988	₱–	₱7,698,083,189	₱–
Non-gaming	223,129,856	–	549,785,039	–
Interest income	10,198,548	119,051,649	48,189,840	152,091,781
	4,118,855,392	119,051,649	8,296,058,068	152,091,781
EXPENSES				
Operating expenses	(3,734,234,110)	(217,276,811)	(8,820,874,233)	(444,908,686)
Cost of sales	(180,848,093)	–	(376,448,626)	–
Interest expense	(171,318,481)	–	(327,918,893)	–
Foreign exchange losses - net	163,860	(15,451,606)	(44,621,127)	(88,800,637)
	(4,086,236,824)	(232,728,417)	(9,569,862,879)	(533,709,323)
LOSS BEFORE INCOME TAX	32,618,568	(113,676,768)	(1,273,804,811)	(381,617,542)
BENEFIT FROM INCOME TAX	132,382,728	5,054,733	405,419,298	12,147,430
NET (INCOME) LOSS	165,001,296	(108,622,035)	(868,385,513)	(369,470,112)
OTHER COMPREHENSIVE INCOME	–	–	–	–
TOTAL COMPREHENSIVE INCOME (LOSS)	₱165,001,296	(₱108,622,035)	(₱868,385,513)	(₱369,470,112)
Basic/Diluted Earnings Per Share	₱0.016	(₱0.008)	(₱0.082)	(₱0.026)

See accompanying Notes to Unaudited Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

(Formerly Active Alliance, Incorporated)

(A Subsidiary of Prime Metroline Holdings, Inc.)

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

	Issued ¹	Subscribed	Subscriptions Receivable	Sub-total Capital Stock	Additional Paid-in Capital	Equity Reserves	Deficit	Total
Balances at January 1, 2013	₱10,589,800,556	₱—	₱—	₱10,589,800,556	₱7,948,329,736	(₱27,138,558)	(₱1,174,355,687)	₱17,336,636,047
Net loss	—	—	—	—	—	—	(868,385,513)	(868,385,513)
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive loss	—	—	—	—	—	—	(868,385,513)	(868,385,513)
Subscription of capital stock	—	—	—	—	—	—	—	—
Payment of subscription	—	—	—	—	—	—	—	—
Movement of equity reserves	—	—	—	—	—	—	—	—
Balances at September 30, 2013	₱10,589,800,556	₱—	₱—	₱10,589,800,556	₱7,948,329,736	(₱27,138,558)	(₱2,042,741,200)	₱16,468,250,534
Balances at January 1, 2012	₱80,000,000	₱—	₱—	₱80,000,000	₱—	5,755,949,217	(486,416,970)	₱5,349,532,247
Net loss	—	—	—	—	—	—	(369,470,112)	(369,470,112)
Other comprehensive income	—	—	—	—	—	—	—	—
Total comprehensive loss	—	—	—	—	—	—	(369,470,112)	(369,470,112)
Subscription of capital stock	—	10,509,800,556	(10,509,800,556)	—	—	—	—	—
Payment of subscription	9,588,616,500	(9,588,616,500)	9,818,912,514	9,818,912,514	7,921,358,254	—	—	17,740,270,768
Movement of equity reserves	—	—	—	—	—	(5,755,949,217)	—	(5,755,949,217)
Balances at September 30, 2012	₱9,668,616,500	₱921,184,056	(₱690,888,042)	₱9,898,912,514	₱7,921,358,254	₱—	(₱855,887,082)	₱16,964,383,686

¹Issued and fully paid shares.

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

	2013 (Note 2)	2012 (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(P1,273,804,810)	(P381,617,542)
Adjustments for:		
Unrealized foreign exchange losses - net	44,621,127	88,800,637
Interest income	(48,189,840)	(152,091,781)
Retirement expense	10,234,599	-
Interest expense	314,701,429	-
Depreciation and amortization	1,280,300,481	14,627,295
Loss before working capital changes	327,862,986	(430,281,391)
Decrease (increase) in:		
Receivables	(1,958,819,712)	(15,110,027)
Inventories	(169,651,790)	-
Prepayments and other current assets	(175,877,895)	(33,089,187)
Increase (decrease) in:		
Accrued expenses and other current liabilities	4,248,624,164	2,119,546,570
Net cash generated from operations	2,272,137,752	1,641,065,965
Interest received	48,149,213	142,689,005
Net cash provided by operating activities	2,320,286,965	1,783,754,970
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to project development costs	(11,081,121,146)	(6,821,958,844)
Additions to property and equipment	(2,117,061,919)	(90,639,845)
Payment for acquisition of Sureste	-	(5,865,496,700)
Decrease (increase) in:		
Other noncurrent assets	(489,682,942)	(24,811,361)
Restricted cash - net of current portion	(101,494,805)	(26,395,402)
Advance to contractors	2,219,191,708	(2,213,995,227)
Cash acquired arising from reverse acquisition	-	81,551,355
Net cash used in investing activities	(11,570,169,104)	(14,961,746,024)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from availment of loans	8,344,136,757	4,572,718,754
Payment of interest	(291,161,973)	-
Proceeds from subscription of capital stock	-	17,843,668,354
Decrease in due from a shareholder	-	319,716,760
Stock issue cost on issuance of legal subsidiaries' capital stock	-	(76,426,106)
Net cash provided by financing activities	8,052,974,784	22,659,677,762
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(44,621,127)	(9,071,571)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,241,528,482)	9,472,615,137
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and cash equivalents	7,836,932,348	573,299,664
Current portion of restricted cash	42,832,595	599,073,079
	7,879,764,943	1,172,372,743
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and cash equivalents	6,629,819,140	10,604,738,236
Current portion of restricted cash	8,417,321	40,249,644
	P6,638,236,461	P10,644,987,880

See accompanying Notes to Unaudited Consolidated Financial Statements.

BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES

(Formerly Active Alliance, Incorporated)

(A Subsidiary of Prime Metroline Holdings, Inc.)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

a. Corporate Information

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

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

b. Change in Ownership of Bloomberry

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

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

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

As of September 30, 2013, PMHI (the ultimate parent company) owns 60.51% of Bloomberry.

c. Subsidiaries of Bloomberry

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

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

d. Status of Operations

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

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

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

2. Summary of Significant Accounting Policies and Disclosures

Basis of Preparation

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

Basis of Consolidation

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

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

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

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

Reverse acquisition applies only to the consolidated financial statements. The parent company financial statements as of and for the periods ended September 30, 2013 and December 31, 2012 will continue to represent Bloomberry as a stand-alone entity.

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

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

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

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

Standards Issued But Not Yet Effective

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

Effective in 2013

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

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

Determination of fair value

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

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

“Day 1” difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the

difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of comprehensive income, unless it qualifies for recognition as some other type of asset or liability. In cases where data that 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 September 30, 2013 and December 31, 2012. The Group has no financial liability at FVPL as of September 30, 2013 and December 31, 2012.

Loans and receivables

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

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

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

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 September 30, 2013 and December 31, 2012.

AFS financial assets

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

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

The Group has no AFS assets as of September 30, 2013 and December 31, 2012.

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings. Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

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

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

Offsetting of financial instruments

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

Impairment of Financial Assets

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

Financial assets carried at amortized cost

For financial assets at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The estimated future cash flows 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 assets together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in our consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its original amortized cost at the reversal date. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the asset have expired; or (2) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

Financial liabilities

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

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

Cash and Cash Equivalents

Cash includes cash on hand and in banks, including bank accounts maintained by the Group as collateral for its long-term debt and cash that is restricted for meeting cash commitments in the next twelve months related to the development of the Project. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition, and for which there is an insignificant risk of change in value.

Restricted Cash

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

Project Development Costs

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

Property and Equipment

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

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

The useful lives and depreciation and amortization method are reviewed at least at each financial year-end to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

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

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

Operating Equipment

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

Impairment of Nonfinancial Assets

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

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

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

Equity

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

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

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

Distribution of Non-cash Assets to Owners

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

Foreign Currency Transactions and Translations

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

Revenue Recognition

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

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

Interest income

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

Rental income

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

Cost and Expenses

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

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

Pre-opening Expenses

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

Provisions

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

Borrowing Costs

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

All other borrowing costs are expensed as incurred.

Leases

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

(a) there is a change in contractual terms, other than a renewal or extension of the agreement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the

determination of whether the fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

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

As a lessee

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

As a lessor

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

Taxes

Current income tax

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

Deferred income tax

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

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

Deferred tax assets are recognized for all deductible temporary differences, carry forward 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 carry forward benefit of unused tax credits and unused tax losses can be utilized except: (1) when the deferred income tax asset relating

to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

Value-Added Tax (VAT)

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

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

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

Contingencies

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

Events After the Reporting Date

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

Earnings (Loss) Per Share

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

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

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

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

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

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

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

Segment Reporting

The Group currently operates in one business segment, namely, the management of its casino and hotel resort. A single management team reports to the chief operating decision-maker who comprehensively manages the entire business. Accordingly, the Group does not have separate reportable segments.

Revenue Recognition

Revenue is recognized to the extent that it is probable the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties.

Gaming revenues are 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.

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.

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

Gaming Taxes

Being a PAGCOR licensee, BRHI is required to pay license fees ranging from 15% to 25% of its gross gaming revenues on a monthly basis, starting from the date the casino commences operations. These license fees may not be changed or adjusted unless agreed upon by the parties. Such license fees include franchise tax on actual gross gaming revenues generated by the casino. The Group is also required to remit on a monthly basis 5% of non-gaming revenue to PAGCOR and 2% of casino revenues generated from non-junket operation tables to a foundation for restoration of cultural heritage approved by PAGCOR. These expenses are reported as part of "Taxes and licenses" in the interim consolidated statement of comprehensive income.

Management's Use of Judgments, Estimates and Assumptions

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments apart from those including estimations and assumptions, which has

the most significant effect on the amounts recognized in the consolidated financial statements.

Estimates and assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed as follows:

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

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

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

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

However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in banks, temporary cash investments and debt collateral accounts.

Cash in banks earn interest at the prevailing bank deposit rates.

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

Debt collateral accounts are bank accounts maintained by the Group as collateral for its long-term debt.

4. Restricted Cash

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

Under the Provisional License granted by PAGCOR, the Group is required to set-up and maintain an escrow account amounting to US\$100 million with a universal bank mutually agreed by PAGCOR and the Group. All funds for the development of the casino project shall pass through the escrow account and all drawdowns of funds from the said escrow account must be applied to the project. The escrow account should have a maintaining balance of US\$50 million. If the funds in escrow account fall below the maintaining balance at any given time, the Group shall deposit not later than fifteen calendar days (grace period) from the date the escrow account fall below the maintaining balance, such funds to achieve the maintaining balance. The escrow will be withdrawn and released to BRHI upon completion of the Project.

5. Project Development Costs

Project development costs represent costs incurred in the development of Solaire Resort & Casino (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 September 30, 2013 the balance of project development costs amounted to ₱3,476,387,611, which pertains to Phase 1A of Solaire Resort & Casino.

Under its Provisional License issued by PAGCOR, the Group has committed to invest at

least US\$1 billion in the Project. In the event that the peso devaluates, the value of the dollar against the peso shall be limited to a maximum of ₱46:1. The investment commitment includes the lease for the use of the land of PAGCOR, cost related to securing development rights, construction, equipment, development costs, financing costs, working capital costs, and all other expenses directly related to the completion and operation of the casino. The Provisional License also requires the Group to fully invest and utilize US\$400 million within two years from April 8, 2009, the date of issuance of the Provisional License, to comply with the aforementioned 40% utilization requirement. On November 16, 2009, PAGCOR approved the Group's request for an additional three years extension of the original two years compliance period with respect to the 40% of the total investment commitment. The Group has complied with this 40% utilization requirement.

6. Property and Equipment

There were no major disposals or write-downs of property and equipment for the nine months ended September 30, 2013.

7. Other Noncurrent Assets

Other noncurrent assets consist mainly of operating equipment, prepaid debt issue costs, long-term deposits and others.

Operating equipment are bulk purchases of linen, china, glassware, silver, and other 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 and others.

Accrued project costs and other accruals are expected to be settled within one year.

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

Withholding tax payable and other payables are normally settled within one year.

9. Long-term Debt

This account consists of:

	September 30, 2013	December 31, 2012
Long-term debt	₱16,730,342,686	₱8,266,000,000
Less unamortized debt issue costs	210,099,347	89,893,418
	16,520,243,339	8,176,106,582
Less current portion	697,251,275	–
	₱15,822,992,064	₱8,176,106,582

Future repayment of the principal follows:

	September 30, 2013	December 31, 2012
Within one year	₱703,150,000	₱–
After one year but not more than five years	13,896,850,000	5,172,150,000
Beyond five years	2,130,342,686	3,093,850,000
	₱16,730,342,686	₱8,266,000,000

On January 24, 2011, Sureste and BRHI entered into an aggregate of ₱9.87 billion (₱7.62 billion for Sureste and ₱2.25 billion for BRHI), seven-year term loan facilities (“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 to the Original Facility, making an aggregate available facility for Sureste of ₱12.35 billion as of September 30, 2013.

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

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.

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 September 30, 2013 and December 31, 2012, the amount drawn under the Original Facility amounted to ₱14.6 billion and ₱8.3 billion, respectively. As at September 30, 2013, ₱2.1 billion was drawn under the Expansion Facility. Outstanding principal, net of unamortized debt discount, as of September 30, 2013 and December 31, 2012 amounted to ₱16,520.2 million and ₱8,176.1 million, respectively.

All legal and professional fees, including commitment fee, incurred in relation to the loan, were capitalized. Debt issue costs were amortized using EIR method. Amortization of debt issue costs and interest charges were capitalized as part of "Project development costs" during construction period.

The Original Facility provides that Sureste/BRHI is permitted to make optional prepayments anytime until maturity. Upon prepayment, the Sureste/BRHI shall pay the principal, accrued interest and penalty based on the amount prepaid in the following percentages: (i) 3% for years 1 to 3 from the initial borrowing date; (ii) 2% for year 4; (iii) 1% for year 5; and (iv) 0.5% for year 6. Likewise, the Expansion Facility provides that Sureste/BRHI is permitted to make optional prepayments anytime until maturity, but without penalty.

The prepayment option on the original facility was assessed as not clearly and closely related to the loan. As at inception date and December 31, 2011, the value of the prepayment option is not material. Upon additional drawdown in 2013 and 2012, 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 ₱83.7 million, respectively, which was offset against additions to capitalized debt issue costs in 2013 and 2012. Accretion of interest on the option amounting to ₱15.1 million and ₱10.8 million in 2013 and 2012, respectively, was offset against amortization of debt issue costs. Fair value losses from the prepayment option are recognized as "Mark-to-market loss".

The prepayment option on the Expansion Facility was also assessed as not clearly and closely related to the loan. As at inception date and September 30, 2013, the value of the prepayment option is not material.

Borrowing costs recognized as expense in the interim consolidated statements of comprehensive income amounted to ₱314.7 million, comprising of interest expense amounting to ₱298.2 million and amortization of debt issue cost amounting to ₱16.5 million (net of interest accretion on option amounting to ₱11.9 million).

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 and BRHI's debt instruments contain certain restrictive covenants that require Sureste and BRHI to comply with specified financial ratios and other financial tests at quarterly measurement dates. Sureste's and BRHI's loan agreement includes compliance with certain financial ratios such as debt-to-equity and debt service coverage ratios. Sureste and BRHI are required to maintain a debt service coverage ratio of at least 1.2 times on each testing date after the commencement of the gaming facility's commercial operations while a maximum of debt-to-equity ratio of 0.61 times and 2.33 times for BRHI and Sureste, respectively, on each testing date. As of September 30, 2013 and December 31, 2012, Sureste and BRHI are in compliance with the debt covenants.

Collateral

Under the loan agreement, collateral includes the following:

- (i) Assignment of Debt Service Payment Account (DSPA) and Debt Service Reserve Account (DSRA) and Receivables
- (ii) Assignment of Project Agreements
- (iii) Mortgage on the Present Real Assets and Chattel Mortgage on the Present and Future Chattels
- (iv) Continuing Suretyship, and
- (v) Pledge of Sureste and BRHI Shares

10. Related Party Transactions

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

11. Equity

a. Capital Stock

Capital stock consists of:

	September 30, 2013		December 31, 2012	
	Shares	Amount	Shares	Amount
Common Stock - ₱1 par value				
Authorized	15,000,000,000	₱15,000,000,000	15,000,000,000	₱15,000,000,000
Issued and fully paid	10,589,800,556	10,589,800,556	10,589,800,556	10,589,800,556

The movement on issued and fully paid shares for the nine months ended September 30, 2013 and 2012 and the year ended December 31, 2012 is as follows:

	September 30, 2013 (Nine Months)	September 30, 2012 (Nine Months)	December 31, 2012 (One Year)
Balance at beginning of period	10,589,800,556	80,000,000	80,000,000
Issuance	—	9,818,912,514	10,509,800,556
	10,589,800,556	9,898,912,514	10,589,800,556

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

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

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

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

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

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

b. Deficit

As of September 30, 2013 and December 31, 2012, deficit represents net accumulated losses of the Group.

12. Costs and Expenses

This account consists of:

	For The Three Months Ended September 30		For The Nine Months Ended September 30	
	2013	2012	2013	2012
Operating expenses	₱3,734,234,110	₱217,276,811	₱8,820,874,233	₱444,908,686
Cost of sales	180,848,093	–	376,448,625	–
Interest expense	171,318,481	–	327,918,893	–
Foreign exchange losses - net	(163,860)	15,451,606	44,621,127	88,800,637
	₱4,086,236,824	₱232,728,417	₱9,569,862,878	₱533,709,323

13. Lease Agreements

On May 7, 2010, BRHI entered into a contract of lease with PAGCOR to lease 83,084 square meters of land at PAGCOR's Entertainment City site in Paranaque City for the construction of the hotel, gaming and entertainment facility. The lease period shall be for about 23 years, which shall commence upon the execution of the contract and shall be co-terminus with the term of lessor as provided in the PAGCOR charter which will expire on July 11, 2033, unless sooner revoked, rescinded or cancelled. The annual lease rental is based on the schedule provided for in the agreement. No annual lease payments are due during the first two (2) years of the lease period. Rental shall have 5% annual escalation rate starting on the 18th year of the lease period. Annual lease rental to be paid after the grace period amounts to ₱237,528,248.

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

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

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

Future minimum lease payments under this operating lease follow:

	September 30, 2013	September 30, 2012
Within one year	₱ 226,647,070	₱237,528,248
Beyond one year but not later than five years	852,182,386	895,707,100
Beyond five years	2,871,020,849	3,048,702,616
	₱3,949,850,305	₱4,181,937,964

BRHI also entered into various lease agreements for the lease of suites in SM Arena, offices and parking spaces and others for a period of two to three years.

14. Commitments and Contingencies

- a. Under the license agreement with PAGCOR, BRHI has the following commitments, among others:
 - License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the Gross Gaming Revenues: (a) 15% high roller tables; (b) 25% non-high roller tables; (c) 25% slot machines and electronic gaming machines; and (d) 15% Junket operation.
 - In addition to the above license fees, BRHI is required to remit 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the BRHI and approved by PAGCOR. BRHI has established Bloomberry Cultural Foundation Inc. for this purpose.
 - PAGCOR may collect a 5% fee of non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not be subject to the 5% except rental income received from retail concessionaires.
 - Grounds for revocation of the license, among others, are as follows: (a) failure to comply with material provision of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) has become bankrupt, insolvent; (d) delay in construction of more than 50% of the schedule; and (e) if debt-to-equity ratio is more than 70:30. As of September 30, 2013 and December 31, 2012, BRHI has complied with the required debt-to-equity ratio.
- b. The Group has entered into the following significant contracts:

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. Currently, the Group is undertaking the construction of the next phase of Solaire, referred to as "Phase 1A". It will comprise additional tables and slot machines, an all-suite boutique hotel tower,

additional food and beverage offerings, a retail promenade, a performance theatre, a night club and additional parking spaces.

Global Gaming Philippines, LLC

On September 9, 2011, Sureste and BRHI jointly entered into a Management Services Agreement (MSA) with 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.

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 Bloomberg's outstanding shares (prior to Bloomberg'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 Bloomberg from PMHI.

After prior notice and failure of discussions to settle their dispute, the Group terminated the MSA effective September 12, 2013 because of a material breach of the MSA by GGAM. 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 parties are awaiting the constitution of a 3 member arbitral tribunal which will resolve 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.

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.

- 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.
- d. 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. This request is still pending with PAGCOR. The estimated amount of potential tax liability is not material for the nine months ended September 30, 2013.

In view of the above, there is uncertainty with respect to the income tax exemption of BRHI.

15. Basic/Diluted Earnings (Loss) Per Share

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

	September 30, 2013	September 30, 2012
(a) Net income (loss)	(P868,385,513)	(P260,848,077)
(b) Common shares of legal parent owned by PMHI*	–	5,865,496,700
(c) Common shares of legal subsidiary	–	58,654,967
(d) Exchange ratio = (b)/(c)	–	100
Common shares of legal subsidiary at beginning of year	–	–
58,654,967 shares of legal subsidiary prior to acquisition by legal parent	–	52,137,748
(e) Weighted average number of legal subsidiary's common shares	–	52,137,748
(f) Weighted average number of legal parent's shares after acquisition	10,589,800,556	8,967,392,048
Basic/Diluted:		
Loss per common share (a)/[(d) x (e) + (f)]	(P0.082)	(P0.026)

* Computed as total consideration of P5,865,496,700 for the acquisition of Sureste's shares divided by Bloomberry's common share par value of P1.

The basic and diluted earnings per share are the same for the nine months ended September 30, 2013 and 2012 as there are no dilutive potential common shares.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis relate to the consolidated financial condition and operating results of the Company and its subsidiaries and should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes as of September 30, 2013 and for the three months and nine months ended September 30, 2013 and 2012 and as of and for the year ended December 31, 2012

OVERVIEW

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

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

Solaire Resort & Casino started commercial operations on March 16, 2013 with the opening of Phase 1 consisting of the main gaming area and the hotel, food and beverage outlets, spa and retail outlets.

BRHI and SPI terminated the Management Services Agreement (MSA) with GGAM effective September 12, 2013, because of material breach of the MSA by GGAM. GGAM has not spent any material time in attending to the management of Solaire Resort & Casino and has failed to perform its obligations and deliverables under the MSA. This dispute is now subject of arbitration in Singapore.

The Group has hired Mr. Thomas Arasi as president and chief operating officer to replace the COO from GGAM. Mr. Arasi brings a wealth of gaming and hospitality experience in running Solaire Resort & Casino. 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.

OPERATING RESULTS

The following are the key performance indicators:

Table 2.0 Key Performance Indicators

In thousands except for ratios	For the Three Months Ended September 30, 2013	For the Nine Months Ended September 30, 2013
EBITDA	803,713	379,036
EBITDAM	805,507	407,206
Debt to Equity Ratio (D/E)	1.46	1.46
Current Ratio	1.26	1.26
Return on Equity (ROE)	1.01%	-5.14%

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

EBITDAM is EBITDA before management fees under the MSA.

Debt to Equity Ratio (D/E Ratio) is the ratio of the borrower's total liabilities 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 prior periods when the Group had no commercial operation.

The following table shows a summary of the operating results of the Group for the three months and nine months ended September 30, 2013 and 2012 as derived from the accompanying Unaudited Consolidated Financial Statements.

Table 2.1 Unaudited Consolidated Statements of Income

	For the Three Months Ended September 30		Change 2012 vs.2013	For the Nine Months Ended September 30		Change 2012 vs.2013
	2012	2013		2012	2013	
<i>In thousands, except % change data</i>						
Net Revenues	119,052	4,118,855	3,359.7%	152,092	8,296,058	5,354.6%
Cost and Expenses	232,728	4,086,237	1,655.8%	533,709	9,569,863	1,693.1%
Benefit from Income Tax	5,056	132,383	2,519.0%	12,147	405,419	3,237.5%
Net Income (Loss)	(108,622)	165,001	251.9%	(369,470)	(868,386)	(135.0%)
Earnings (Loss) Per Share	(0.008)	0.016	303.4%	(0.026)	(0.082)	(214.7%)

OPERATING RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013 COMPARED WITH 2012

REVENUES

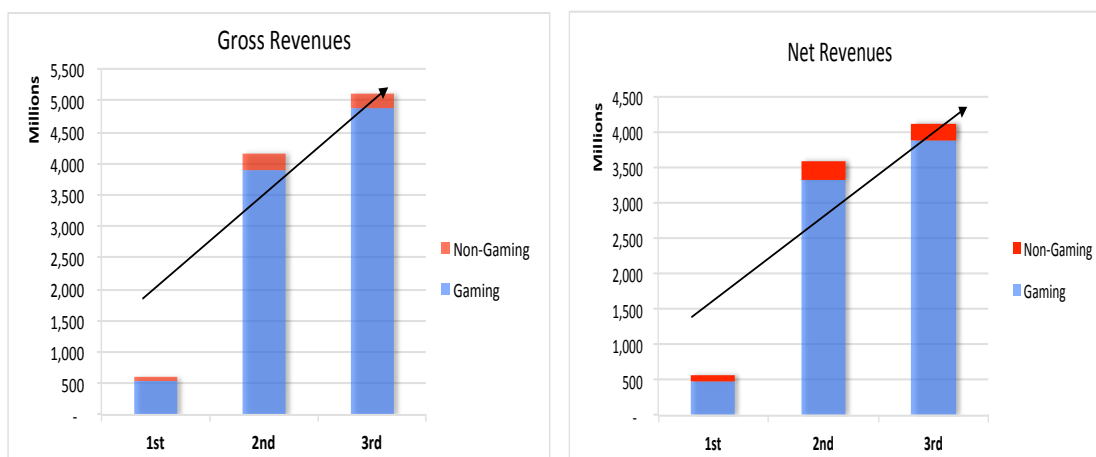
Revenues consist of: (1) Gaming; (2) Non-gaming; and (3) Interest income. The table below illustrates the consolidated revenues for the three months ended September 30, 2012 and 2013:

Table 2.2 Revenues

	For the Three Months Ended September 30		Change 2012 vs. 2013
	2012	2013	
<i>In thousands, except % change data</i>			
Gaming	-	4,870,883	0.0%
Non-Gaming	-	223,130	0.0%
Interest income	119,052	10,199	(91.4%)
	119,052	5,104,212	4,187.4%
Less Promotional Allowance	-	985,356	0.0%
Net Revenues	119,052	4,118,855	3,359.7%

For 2012, interest income accounted for 100 percent of the total consolidated revenues. For this period net gaming revenue accounted for 94.3 percent of total net revenue, while non-gaming revenues accounted for 5.4 percent.

The graph below shows Solaire Resort & Casino's third quarter gross and net revenue performance compared with the previous quarters:



Gaming

After a very successful opening of Solaire Resort & Casino on March 16, 2013, the Group focused its efforts in ramping up its gaming business. In the third quarter of 2013, the property registered ₱4.9 billion of gross gaming revenues up by 25% from the previous quarter despite the Chinese “Ghost Month”. After deducting promotional allowance, net revenues increased to ₱4.1 billion in this quarter from ₱3.6 billion of the previous quarter. The growth in revenues 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 new promotions and other strategic marketing activities. The mass gaming player sign-ups grew 44% for the quarter.

Non-Gaming

Non-gaming revenues consist of hotel, food and beverage (F&B), retail and others. Non-gaming operations generated ₱223.0 million of revenues to complement the growing gaming business. With the decision of adjusting its food prices and food choices, patronage of F&B outlets had notably increased and it is now very competitive vis-à-vis with the local market. Other revenues consist mainly of lease rentals, communication, laundry and transportation services.

Interest Income

Consolidated interest income decreased by 91.4 percent to ₱10.2 million in 2013 from ₱119.1 million in 2012 mainly due to lower average cash balances in 2013. In May 2012, the Group completed the follow-on offering of the parent company resulting in higher interest income for the third quarter of 2012.

COST AND EXPENSES

Cost and expenses consist of: (1) Operating expenses; (2) Cost of sales; (3) Interest expense and financing charges; and (4) Foreign exchange losses.

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

Table 2.3 Expenses

	For the Three Months Ended September 30		
<i>In thousands, except % change data</i>	2012	2013	Change 2012 vs. 2013
Costs and expenses:			
Operating expenses	217,277	3,734,234	1,618.7%
Cost of sales	-	180,848	0.0%
Interest expense and financing charges	-	171,318	0.0%
Foreign exchange losses – net	15,452	(164)	(101.1%)
Total	232,728	4,086,237	1,655.8%

Total cost and expenses of the Group for the three months ended September 30, 2013 increased by 1,655.8 percent to **₱4.1 billion** with the commercial operations of Solaire Resort & Casino the bulk of which consisted of operating expenses amounting to **₱3.7 billion**. The property also incurred **₱180.1 million** in cost of sales and **₱171.3 million** of interest and financing charges, which in prior years were capitalized as part of project development costs. In the third quarter of 2013, the Group posted minimal foreign exchange differences as the Philippine peso slightly depreciated against the US dollars.

Major components of operating expenses are payroll, advertising and promotions, supplies, gaming taxes and licenses, depreciation and amortization, utilities and outside services.

The Group continues to identify and address problems in its systems and look for ways to improve efficiency and introduce best practices and industry standards.

EBITDA

The graph below shows the Group's EBITDA and EBITDA margins on a quarterly basis since the opening of the Solaire Resort & Casino:



The property is now reaping the benefits of the operational adjustments implemented by the Group and is continuously implementing operational efficiencies, best practices and industry standards to rectify the shortcomings of GGAM. Solaire Resort & Casino posted **₱803.7 million** of EBITDA for the third quarter of 2013 up 26% from the previous quarter translating to an EBITDA margin of 19.6%.

Benefit From Income Tax

In the third quarter of 2013, the Group recognized additional deferred tax assets resulting in benefit from income tax of ₱132.4 million. The additional deferred tax assets were mainly from Sureste's net loss carried over.

Net Income

For the third quarter of 2013 the Group registered a net income of ₱165.0 million seven times the net income of the previous quarter of ₱22.7 million. The Group remained focused in improving margins by expanding and enhancing the property's program promotions and marketing activities as well as continues to address problems in operations and find ways of achieving higher operational efficiencies.

With the higher third quarter results, the Group registered a basic earnings per share of ₱0.016 compared with the earnings per share of ₱0.001 of the previous quarter and ₱0.008 loss per share in the same period last year. The basic and diluted earnings (loss) per share are the same as there are no dilutive potential common shares.

OPERATING RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 COMPARED WITH 2012

REVENUES

Revenues consist of: (1) Gaming; (2) Non-gaming; and (3) Interest income. The table below illustrates the consolidated revenues for the nine months ended September 30, 2012 and 2013:

Table 2.4 Revenues

<i>In thousands, except % change data</i>	For the Nine Months Ended September 30		Change 2012 vs. 2013
	2012	2013	
Gaming	-	9,288,989	0.0%
Non-Gaming	-	549,785	0.0%
Interest income	119,052	48,190	(68.3)%
	119,052	9,886,964	6,400.7%
Less Promotional Allowance	-	1,590,906	0.0%
Net Revenues	119,052	8,296,058	5,354.6%

For 2012, interest income accounted for 100 percent of the total consolidated revenues. For this period net gaming revenue accounted for 92.8 percent of total net revenue, while non-gaming revenues accounted for 6.6 percent.

Gaming

After a very successful opening of Solaire Resort & Casino on March 16, 2013, the Group focused its efforts in ramping up its gaming business by unveiling numerous programs, events, promotions and undertaking strategic marketing activities. The Group also identified and addressed operational issues relating to GGAM's shortcomings. In the seven months of operations the Group had signed-up with a number of junket operators to bring in foreign VIP

players. As a result of these promotions and marketing activities, the property generated ₱9.3 billion of gross gaming revenues since opening date.

Non-Gaming

Non-gaming registered ₱549.8 million of revenues since the property opened. With the decision of adjusting its food prices and food choices, patronage of F&B outlets had notably increased and it is now very competitive vis-à-vis with the local market. Other revenues consist mainly of lease rentals, communication, laundry and transportation services.

Interest Income

Year to date consolidated interest income decreased by 68.3 percent to ₱48.2 million in 2013 from ₱152.1 million in 2012 mainly due to lower average cash balances in 2013. In May 2012, the Group completed the follow-on offering of the parent company resulting in higher interest income in 2012.

COST AND EXPENSES

Cost and expenses consist of: (1) Operating expenses; (2) Cost of sales; (3) Interest expense and financing charges; and (4) Foreign exchange losses.

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

Table 2.5 Expenses

	For the Nine Months Ended September 30		Change 2012 vs. 2013
	2012	2013	
<i>In thousands, except % change data</i>			
Costs and expenses:			
Operating expenses	444,909	8,820,874	1,882.6%
Cost of sales	-	376,449	0.0%
Interest expense and financing charges	-	327,919	0.0%
Foreign exchange losses – net	88,801	44,621	(49.8%)
Total	533,709	9,569,863	1,693.1%

Total cost and expenses of the Group for the nine months ended September 30, 2013 increased by 1,693.1 percent to ₱9.6 billion with the commercial operations of Solaire Resort & Casino and the pre-operating expenses incurred from the beginning of the year until opening date. The property also incurred ₱376.4 million in cost of sales and ₱327.9 million of interest and financing charges, which in prior years were being capitalized as part of project development costs. In 2013, the Philippine peso continued to appreciate against the US dollar until toward the middle of June 2013 when it started to depreciate resulting in lower foreign exchange losses of ₱44.6 million.

Major components of operating expenses are payroll, advertising and promotions, supplies, gaming taxes and licenses, depreciation and amortization, utilities and outside services.

The Group continues to identify problems in its systems and operations and look for ways to improve efficiency and introduce best practices and industry standards.

EBITDA

EBITDA for the nine months ended September 30, 2013 is ₱1.5 billion excluding pre-operating expenses of ₱1.2 billion incurred in the first quarter.

Benefit From Income Tax

In the third quarter of 2013, the Group recognized additional deferred tax assets resulting in benefit from income tax of ₱132.4 million increasing to ₱405.4 million the deferred tax assets booked for the year. The additional deferred tax assets were mainly from Sureste's net loss carried over.

Net Loss

The Group registered year to date net loss of ₱868.4 million after seven months of commercial operations, an improvement from ₱1,056.1 million net loss as of the end of the first quarter. The first three quarters of 2013 yielded net income of ₱243.1 million excluding pre-operating expenses amounting to ₱1.2 billion incurred in the first quarter. Moving forward, the Group endeavors to improve margins by expanding and enhancing the property's programs, promotions and further developing effective marketing strategies as well as finding ways to achieve operational efficiency.

With the positive second and third quarter results, the Group basic loss per share is now ₱0.082. Last year's loss per share stood at ₱0.009 when the property was still being constructed. The basic and diluted losses per share are the same as there are no potential dilutive common shares.

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 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, 2011 and September 30, 2013:

Table 2.6 Consolidated Condensed Balance Sheets

<i>In thousands, except % change data</i>	December 31, 2012	September 30, 2013	% Change 2012 vs. 2013
Current assets	8,055,957	9,118,818	13.2
Total assets	28,796,048	40,554,198	40.8
Current liabilities	3,259,782	7,926,057	143.1
Total interest-bearing debt	8,176,107	16,520,243	102.1
Total liabilities	11,459,412	24,085,947	110.2
Equity	17,336,636	16,468,251	(5.0)
Current assets/total assets	27.98%	22.49%	
Current ratio	2.47	1.15	
Debt-equity ratio ¹	0.66	1.46	
Net debt-equity ratio	0.08	0.92	

¹) Debt includes total liabilities. Equity includes total equity.

Current assets increased by 13.2 percent to ₱9.1 billion as of September 30, 2013 from ₱8.1 billion as of December 31, 2012. The higher current assets balance was attributable to the growth in receivables and prepayments and other current assets after the Group started commercial operations on March 16, 2013.

Total assets grew by 40.8 percent to ₱40.6 billion as of September 30, 2013 from ₱28.8 billion as of December 31, 2012. The increase was mainly due to higher current assets, additions to project development cost of ₱11.1 billion, additions to property and equipment of ₱2.1 billion, increase in other non-current assets of ₱489.7 million, additional deferred income tax of ₱405.4 million. The increase was offset by a reduction in advances to contractors with the completion of the Phase 1 of Solaire Resort & Casino.

Current liabilities jumped by 143.1 percent to ₱7.9 billion mainly because of trade related payables and accruals with the start of the Solaire Resort & Casino's operations as well as the reclassification of the current portion of long-term debt amounting to ₱697.3 million.

Total liabilities more than doubled from ₱11.5 billion as of December 31, 2012 to ₱24.1 billion as of September 30, 2013 due mainly to the additional drawdown from the bilateral loan with BDO and Phase 1A credit facility totaling ₱8.5 billion to finance the completion of Phase 1 and the construction of Phase 1A of Solaire Resort & Casino as well as higher level of trade payables related to hotel and gaming operations.

Total equity as of September 30, 2013 amounted to ₱16.5 billion, 5.0 percent lower compared to the ₱17.3 billion reported as of December 31, 2012. The decrease was due to the net loss reported for the period of ₱868.4 million.

MATERIAL VARIANCES AFFECTING THE BALANCE SHEET

Balance sheet accounts as of September 30, 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 15.4 percent as of September 30, 2013 mainly due to payments to contractors and consultants for the development of Solaire Resort & Casino, payments for pre-operating and operating expenses of the property and reclassification to restricted cash.
2. Current portion of restricted cash went down by 80.3 percent mainly due to funding of debt service and payment reserve accounts.
3. Receivables jumped to ₱2.0 billion an increase of 5,003.4 percent mainly due to credits issued primarily to fixed room junket operators. These credits are normally settled by the end of the relevant month.
4. As of September 30, 2013, inventories have a balance of ₱170.3 million mainly because of operational requirements.
5. Prepayment and other current assets grew by 128.9 percent from ₱137.0 million as of December 31, 2012 because of prepaid insurance and prepaid debt issue cost.

Noncurrent Assets

6. Advances to contractors declined by 64.5 percent because of the completion of Phase 1 of Solaire Resort & Casino.
7. Project development costs as of September 30, 2013 stood at ₱3.5 billion, 76.4 percent lower than as of December 31, 2012 due to reclassification to property and equipment. The current balance represents accumulated development costs for Phase 1A of Solaire Resort & Casino.
8. Property and equipment jumped to ₱23.3 billion as of September 30, 2013 because of the reclassification from project development cost after the completion of Phase 1 and acquisition since opening reduced by depreciation for the period.
9. Deferred tax assets increased by 345.5 percent due to the recognition of tax assets mainly for net operating loss carried over (NOLCO) of Sureste for the period.
10. Other noncurrent assets climbed to ₱631.4 million as of September 30, 2013 mainly due to increase in operating equipment.

Current Liabilities

11. Accrued expenses and other current liabilities increased by 117.1 percent to ₱7.1 billion because trade related payables and accruals with the commencement of commercial operations of Solaire Resort & Casino in March 2013 as well as accruals for the construction of Phase 1A.

Noncurrent Liabilities

12. Long-term debt net of unamortized debt issue cost increased by 93.5 percent to ₱15.8 billion as of September 30, 2013 with the additional drawdowns from the bilateral loan with BDO for the completion of the Phase 1 of Solaire Resort & Casino and drawdowns from the Phase 1A credit facility. These were reduced by the reclassification to current liabilities of the portion due in the next twelve months.
13. Accrued rent – net of current portion representing accrual of lease rental to PAGCOR went up by 2,578.1 percent to ₱314.9 million due additional nine months of accrual.

14. Retirement liability and other non-current liabilities increase to ₱22.0 million because of accrual of normal cost based on the latest actuarial valuation.

Equity

15. Deficit increased by 73.9 percent due to the net loss for the nine-month period amounting to ₱868.4 million.

LIQUIDITY AND CAPITAL RESOURCES

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

Liquidity

The table below shows the Group's consolidated cash flows for the nine months ended September 30, 2012 and 2013:

Table 2.7 Consolidated Cash Flows

<i>In thousands, except % change data</i>	For the Nine Months Ended September 30		% Change
	2012	2013	2012 vs. 2013
Net cash provided by operating activities	1,783,755	2,320,287	30.1
Net cash used in investing activities	(14,961,746)	(11,570,169)	(22.7)
Net cash provided by financing activities	22,659,678	8,052,975	(64.5)
Effect of exchange rate changes on cash	(9,072)	(44,621)	391.9
Net increase (decrease) in cash and	9,472,615	(1,241,528)	(113.1)
Cash and cash equivalents, beginning	1,172,373	7,879,765	572.1
Cash and cash equivalents, end	10,644,988	6,638,236	(37.6)

Cash and cash equivalents decreased by 37.6 percent as of September 30, 2013 mainly due to by payments to contractors and consultants for the development of Solaire Resort & Casino payments for pre-operating and operating expenses of the property offset by the additional drawdown from the bilateral loan with BDO and Phase 1A credit facility.

In 2013 the Group registered a positive cash flow from operating activities of ₱2.3 billion higher than in the same period last year. The main reason for the positive cash flows was because of the start of commercial operations of the property higher levels of payables and other current liabilities.

Net cash used in investing activities in 2013 was below the level of 2012 when construction of Phase 1 was at its peak. The additions to project development costs of ₱11.1 billion and property and equipment of ₱2.1 billion were for the completion of Phase 1 of Solaire Resort & Casino as well as the construction of Phase 1A.

In 2013 the Group's financing activities were mainly drawdowns from the bilateral loan with BDO and Phase 1A credit facility totaling ₱8.5 billion. The Group has drawn ₱2.1 billion out of the ₱14.3 billion credit facility for Phase 1A construction project.

Capital Resources

The table below shows the Group's capital sources as of December 31, 2012 and September 30, 2013:

Table 2.8 Capital Sources

<i>In thousands, except % change data</i>	December 31, 2012	September 30, 2013	% Change 2012 vs. 2013
Long-term debt	8,176,107	16,520,243	102.1
Equity	17,336,636	16,468,251	(5.0)
	25,512,743	32,988,494	29.3

Total debt and equity grew by 29.3 percent to ₱33.0 billion as of September 30, 2013 from ₱25.5 billion as of December 31, 2012. The increase was the result of the combined effect of the drawdowns from the bilateral loan with BDO of ₱6.4 billion and Phase 1A credit facility of ₱2.1 billion reduced by the current period's net loss of ₱868.4 million.

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

RISKS

Foreign Exchange Risk

Foreign exchange risk is the risk that the value of the Group's financial instruments will fluctuate due to changes in foreign exchange rates. The Group had recognized in the consolidated statements of comprehensive income net foreign exchange losses of ₱44.6 million and ₱88.8 million on the revaluation of its US dollar cash and cash equivalents, restricted cash and accrued expenses for the nine months ended September 30, 2013 and 2012, 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 at quarterly intervals.

Prior to the start of commercial operations of Solaire Resort & Casino, changes in interest rates on long-term debt had no effect on income before income tax and equity as expenses on long-term debt were capitalized as part of "Project development costs"

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 ₱6.6 billion and ₱7.9 billion as of September 30, 2013 and December 31, 2012, respectively, which 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 receivables as of September 30, 2013 and December 31, 2012 amounting to ₱2.0 billion and ₱39.2 million, respectively, consist mainly of trade receivables, accrued interests from short-term placements and advances to officers and employees are classified as current and therefore collectible within 30 days or upon demand.

PART II – OTHER INFORMATION

There is no other information not previously reported in SEC Form 17-C that need to be reported in this section.

SIGNATURES

Pursuant to the requirements of Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **Bloomberry Resorts Corporation**

By:



Estela T. Occena
Acting Chief Finance Officer and Treasurer

October 31, 2013